# TITAN INDUSTRIES

26th ANNUAL REPORT
2009-2010


The Commonwealth games baton manufactured by Titan.

WATCHES | JEWELERY | EYEWEAR | PRECISION ENGINEERING

## BOARD OF DIRECTORS

**Rajeev Ranjan** (Chairman) (from 29.01.2010)
**M F Farooqui** (up to 29.01.2010)
**Bhaskar Bhat** (Managing Director)
**Sunil Paliwal** (from 29.01.2010)
**Anita Praveen** (up to 29.01.2010)
**V Parthasarathy**
**Ishaat Hussain**
**N N Tata**
**T K Balaji**
**C G Krishnadas Nair**
**Nihal Kaviratne,CBE**
**Vinita Bali**
**Hema Ravichandar**
**R Poornalingam**

## HEAD - LEGAL & COMPANY SECRETARY

**A R Rajaram**

## AUDITORS

Deloitte Haskins & Sells

## BANKERS

Canara Bank
Bank of Baroda
The Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Oriental Bank of Commerce
Union Bank of India
Indian Bank

## REGISTERED OFFICE

3, SIPCOT Industrial Complex,
Hosur 635 126

## OVERSEAS BRANCH OFFICE

Hongkong: Unit No. 11 & 12, 20/F, Metro Loft No.38,
Kwai Hei Street, Kwai Chung N T, Hongkong

## SHARE DEPARTMENT

TSR Darashaw Ltd
Unit : Titan Industries Ltd,
6-10, Haji Moosa Patrawla Industrial Estate,
20, Dr. E Moses Road, Mahalaxmi,
Mumbai 400 011

**Titan Industries** is a **TATA** Enterprise
in association with Tamilnadu Industrial Development Corporation

***Cover page :*** *" The Commonwealth baton featured on the cover was designed by Foley Designs and manufactured by Titan Industries Ltd with Bharat Electronics Ltd as a technology partner."*

## CONTENTS



**Annual General Meeting :**
**Tuesday, 27th July, 2010 at 3:00 p.m.**
**at 3, SIPCOT Industrial Complex, Hosur 635 126**

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**Titan Industries Limited**

# Notice

The Twenty-sixth Annual General Meeting of TITAN INDUSTRIES LIMITED ("the Company") will be held at the Registered Office of the Company, at 3 SIPCOT Industrial Complex, Hosur 635 126, on Tuesday, 27th July 2010 at 3:00 P.M. to transact the following business:

ORDINARY BUSINESS

1) To receive, consider and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss account for the year ended on that date and the Reports of the Directors' and the Auditors' thereon.

2) To declare dividend on equity shares for the financial year ended 31st March 2010.

3) To appoint a Director in place of Mr. N N Tata who retires by rotation and, being eligible, seeks re-appointment.

4) To appoint a Director in place of Mr. T K Balaji who retires by rotation and, being eligible, seeks re-appointment.

5) To appoint a Director in place of Dr. C G Krishnadas Nair who retires by rotation and, being eligible, seeks re-appointment.

6) To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

   "RESOLVED that Messrs Deloitte Haskins & Sells, Chartered Accountants (Registration No. 008072S), be and hereby are re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, to audit the Accounts of the Company for the financial year 2010-11, including audit of Cash Flow Statements, on a remuneration to be mutually decided upon between the Auditors and the Board of Directors of the Company."

SPECIAL BUSINESS

7) To appoint a Director in the place of Mr. Rajeev Ranjan, IAS who was appointed as a Director by the Board of Directors in the casual vacancy caused by the resignation of Mr. M F Farooqui, with effect from 29th January, 2010 and whose term is up to the date of this Annual General Meeting under Section 262 of the Companies Act, 1956 read with Article 118 of the Articles of Association of the Company, and who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director.

8) To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

   "RESOLVED that pursuant to Section 309 of the Companies Act, 1956 and Article 125 (a) of the Articles of Association of the Company and within the limits stipulated in Section 309(4) of the Companies Act 1956, the Company be and is hereby authorised to pay remuneration by way of commission, to Directors who are neither in the whole-time employment of the Company nor Managing Director(s) of the Company.

   RESOLVED FURTHER that the gross amounts to be disbursed as remuneration to all such Directors shall not exceed one per cent of the net profits of the Company, computed in the manner referred to in Section 198(1) of the Companies Act, 1956.

   RESOLVED FURTHER that the Board of Directors may, pursuant to the recommendations of the Board Remuneration Committee, decide the exact amount to be disbursed by way of commission within the limits stipulated above and its allocation amongst the eligible Directors."

**Notes:**

a) **A Member entitled to attend and vote at the annual general meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company.** Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the Meeting. A Proxy may not vote except on a poll.

b) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item nos. 6, 7 & 8 above are annexed hereto.

c) Members are requested to inform the Company's Registrars and Share Transfer Agents viz., TSR Darashaw Ltd (formerly Tata Share Registry Ltd), regarding changes, if any, in their registered addresses with the PIN code number.

d) The Register of Members and the Transfer Books of the Company, (applicable for shares held in physical form) will be closed from Tuesday, 13th July 2010 up to Tuesday, 27th July 2010, both days inclusive.

e) The dividend on equity shares as recommended by the Directors, if declared at the Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 27th July 2010, except those held in electronic form. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list as on 12th July 2010, provided by National Securities Depository Limited and Central Depository Services (India) Limited.

f) As per the provisions of Section 109A of the Companies Act, 1956, the facility for making nominations is available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz., TSR Darashaw Limited.

g) The equity shares of the Company are listed at the following Stock Exchanges in India:

Bombay Stock Exchange Ltd,
25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

National Stock Exchange of India Ltd,
Exchange Plaza,
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051

The Company has paid the annual listing fees to each of the above Stock Exchanges for the financial year 2010-11. The Company's securities has been delisted from the Madras Stock Exchange with effect from 8th February 2010.

h) Members are requested to intimate to the Company, queries if any, regarding the accounts at least 10 days before the Annual General Meeting to enable the Management to keep the information ready at the Meeting. The queries may be addressed to: The Company Secretary, Titan Industries Limited, Golden Enclave, Tower-B, 7th Floor, HAL Airport Road, Bangalore 560 017. (email : arrajaram@titan.co.in) Members are requested to bring their copies of Annual Reports to the Meeting.

i) For the convenience of Members, the Company will provide a coach service from Bangalore on the day of the Meeting. The coaches will leave for Hosur at 1 p.m. from the following locations:

1) Jayanagar – 3rd Block, near Ashoka Pillar

2) Rajajinagar - near ISKCON temple, Opp. Varasidhi Vinayakar Temple, Government School Grounds

3) Golden Palm Station, near BRV theatre

4) Titan Industries Ltd, Corporate Office : Golden Enclave, HAL Airport Road

j) Shareholders are requested to furnish their e-mail id particulars to the Company at the Company's dedicated mail id: investor@titan.co.in. This will assist the Company in redressing shareholders' grievances expeditiously.

By Order of the Board of Directors,

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
7th June 2010

A.R. Rajaram
Head – Legal & Company Secretary

**Titan Industries Limited**

# Annexure to Notice

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item Nos. 6, 7 & 8 of the accompanying Notice dated 7th June 2010.

**Item No. 6:**

Since the shareholding pattern of the Company is such that the provisions of Section 224A of the Companies Act, 1956, are applicable, the re-appointment of M/s. Deloitte Haskins & Sells as Auditors of the Company is required to be made by a special resolution. Accordingly, it is proposed to re-appoint M/s. Deloitte Haskins & Sells as Auditors of the Company for the financial year 2010-11.

The Shareholders are requested to approve the re-appointment of Deloitte Haskins & Sells as the Statutory Auditors, to audit the Accounts of the Company for FY 2010-11 as set out in Item No. 6 of the Notice as a Special Resolution.

**Item No. 7:**

Mr. Rajeev Ranjan, IAS was appointed as a Director of the Company by the Board of Directors in the casual vacancy caused by the resignation of Mr. M.F. Farooqui, with effect from 29th January 2010. In terms of Section 262 of the Companies Act, 1956, Mr. Rajeev Ranjan holds office as a Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a Shareholder of the Company signifying their intention in proposing Mr. Rajeev Ranjan as a candidate for the office of Director.

Mr. Rajeev Ranjan is the Principal Secretary to the Government of Tamilnadu, Industries Department and Chairman, Tamilnadu Industrial Development Corporation Ltd, the co-promoter of the Company.

The Board considers it desirable that the Company continues to avail of the services and wise counsel of Mr. Rajeev Ranjan and accordingly the Directors recommend that he be appointed as a Director of the Company.

Other than Mr. Rajeev Ranjan, none of the other Directors, is in any way, concerned or interested in this resolution.

**Item No. 8:**

Section 309 of the Companies Act, 1956 permits payment of remuneration to Non–Executive Directors of a Company by way of commission, if the Company authorizes such payment by a special resolution.

At the Annual General Meeting of the Company held on 31st August 2005, the Shareholders had approved the remuneration payable to Non Executive Directors of the Company by way of Commission not exceeding one per cent of the net profits of the Company, computed in the manner referred to in Section 198(1) of the Companies Act, 1956 commencing from Financial Year 2005-06, by a special resolution. Pursuant to Sec 309 (7) of the Companies Act, 1956 such approvals obtained from Shareholders are valid only for a period of 5 years. Since the validity of the earlier resolution passed by the Shareholders expires in Financial Year 2009-10, approval is sought from Shareholders for renewal of the resolution for a further period of 5 years commencing from Financial Year 2010-11.

Considering the rich experience and expertise brought to the Board by the Non- Executive Directors, it is proposed that commencing from financial year 2010-11, remuneration not exceeding one per cent of the net profits of the Company calculated in accordance with provisions of the Act, and subject to further appropriate ceiling(s), be continued to be paid and distributed amongst the Non-Executive Directors of the Company in accordance with the recommendations of Remuneration Committee of the Board and approval by the Board of Directors of the Company, for a further period of five years. Such payment will be in addition to the sitting fees for attending Board meeting / Committee meetings of the Board.

In view of this, the Shareholders are requested to approve the resolution pursuant to Item No. 8 of the Notice as a Special Resolution.

The Directors may be deemed to be concerned or interested in this item of business as it relates to their remuneration.

A copy of the Memorandum and Articles of Association of the Company is available for inspection of Members on any working day between 11 a.m. and 1 p.m. at the Registered Office of the Company from the date of this notice upto the date of the Annual General Meeting.

By Order of the Board of Directors,

Registered Office:
3, SIPCOT Industrial Complex
Hosur 635 126
7th June 2010

A.R. Rajaram
Head – Legal & Company Secretary

# Details of Directors seeking appointment/re- appointment in forthcoming Annual General Meeting

**(In pursuance of Clause 49 of the Listing Agreement)**
**(Directorship & Committee Membership other than Titan Industries Ltd)**

| | | | | |
|---|---|---|---|---|
| **Name of the Director** | Mr. N N Tata | Mr. T K Balaji | Dr. C G Krishnadas Nair | Mr. Rajeev Ranjan |
| **Date of Birth** | 12.11.1956 | 12.07.1948 | 17.08.1941 | 22.09.1961 |
| **Date of appointment** | 07.08.2003 | 01.03.1986 | 02.05.2002 | 29.01.2010 |
| **Expertise in specific functional areas** | Wide knowledge and experience in sales and marketing, experise in retail business | Industrialist with rich business experience | Rich experience in academia, R & D and industry<br>Retired as Chairman & CEO of Hindustan Aeronautics Ltd | Rich experience in various Administrative postings in State and Central Govt. |
| **Qualifications** | B.A (Economics) from University of Sussex, IEP, INSEAD, France | B.E. | B.E. (Metallurgy)., M.Sc. Engineering<br>Ph.D Engineering | M.Sc., MBA (IIM, Ahmedabad),<br>IPL - WIPO - Geneva., I.A.S. |
| **Shareholdings** | 2,345 shares | 28,050 shares | - | - |
| **List of Public Companies in which outside Directorships held on 31st March, 2010** | Trent Ltd<br>Voltas Ltd<br>Landmark Ltd<br>Trent Brands Ltd<br>Tata Investment Corporation Ltd<br>Trent Hypermarket Ltd<br>Kansai Nerolac Paints Ltd | Sundaram Clayton Ltd<br>India Nippon Electricals Ltd<br>Lucas TVS Ltd<br>Delphi-TVS Diesel Systems Ltd<br>Lucas Indian Service Ltd<br>T V Sundaram Iyengar & Sons Ltd<br>Apollo Hospitals Enterprise Ltd<br>TVS Automotive Systems Ltd<br>TVS Investments Ltd | Brahmos Aerospace Thiruvananthapuram Ltd<br>Cochin International Airport Ltd<br>Cochin International Airport Services Ltd<br>Global Vectra Helicorp Ltd<br>Karnataka Hybrid Micro-Devices Ltd<br>Tata Advanced Materials Ltd | Tamilnadu Industrial Development Corporation Ltd<br>State Industries Promotion Corporation of Tamilnadu Ltd<br>Nilakkottai Food Park Ltd<br>Neyveli Lignite Corporation Ltd<br>Electronics Corporation of Tamilnadu Ltd<br>TamilNadu Newsprinf & Papers Ltd<br>Tamilnadu Cements Corporation Ltd<br>Tamil Nadu Industrial Explosives Ltd<br>Tamilnadu Petroproducts Ltd<br>TIDEL Park Ltd<br>TIDEL Park (Coimbatore) Ltd |
| **Chairman/Member of the Committee of Board of Public Companies on which he/she is a Director as on 31st March, 2010** | **Shareholders' Grievance Committee**<br>Voltas Ltd - Chairman<br><br>**Remuneration Committee**<br>Tata Investment Corporation Ltd - Member | **Audit Committee**<br>Sundaram Clayton Ltd - Member<br><br>**Investors Grievance Committee**<br>Sundaram Clayton Ltd - Member<br>Indian Nippon Electricals Ltd - Chairman | | |

**Titan Industries Limited**

# Directors' Report

***To the Members of Titan Industries Limited***

The Directors are pleased to present the Twenty sixth Annual Report and the Audited Statement of Accounts for the year ended 31st March 2010:

**Financial Results**

Rs. in crores

| | **2009-2010** | 2008-2009 |
|---|---|---|
| Total Income | **4714.98** | 3852.98 |
| Less: Excise Duty | **28.70** | 44.34 |
| Net Income | **4686.28** | 3808.64 |
| Expenditure | **4279.46** | 3506.89 |
| Gross profit | **406.82** | 301.75 |
| Interest | **25.42** | 29.43 |
| Cash operating profit | **381.40** | 272.32 |
| Depreciation / Amortisation | **60.08** | 41.76 |
| Profit before taxes | **321.32** | 230.56 |
| Income taxes - Current | **81.50** | 63.00 |
| - Deferred | **(13.42)** | (6.53) |
| - Fringe Benefit Tax | **—** | 4.21 |
| Profit after taxes for the year | **253.24** | 169.88 |
| Less : Income tax of earlier years | **2.92** | 10.92 |
| Net Profit | **250.32** | 158.96 |
| Profit brought forward | **211.03** | 218.55 |
| Amount available for appropriation | **461.35** | 377.51 |
| Appropriations : | | |
| Debenture redemption reserve | **5.28** | 5.28 |
| Proposed dividend on equity shares | **66.58** | 44.39 |
| Tax on dividends | **11.06** | 7.54 |
| Transfer to general reserve | **105.51** | 109.27 |
| | **188.43** | 166.48 |
| Balance carried forward | **272.92** | 211.03 |

In its silver jubilee year, Titan Industries Limited has come out with a sterling performance. Sales income for the year 2009-10 was Rs. 4,703.12 crores, crossing the billion dollar (US) figure and registering a growth of 22.2% over last year sales of Rs. 3,847.72 crores. The year started on a sombre note against the backdrop of a slowdown worldwide but the recovery of the Indian economy and strategic steps taken by Titan Industries have helped register a historic performance.

Profit before tax for the Company grew by 39.4% to Rs. 321.32 crores, while net profit grew by 57.5% over last year to Rs. 250.32 crores.

Both Watches and Jewellery segments benefited from a good wedding season in the first quarter of 2009-10. Retail sales were extremely good for watches post October 2009. Tanishq ran a successful promotion the 'Queen of Diamonds' and the new Eyewear business had an extremely impactful activation in the first half of the year and a very successful advertising campaign in the last quarter of the year.

The Jewellery segment sales grew by 26.8% to Rs. 3,504.19 crores and the Watch segment sales grew by 13% to Rs.1,026.78 crores. Sales of others including Eyewear and Precision Engineering rose by 11.4% to Rs.151.76 crores.

The year witnessed expansion of the Company's retail network with a net addition of 52 stores (81,267sq.ft.) across Watches, Jewellery and Eyewear businesses. As on 31st March 2010, the Company has a total of 539 stores, with over 6,85,000 sq. ft of retail space, delivering a retail turnover of Rs. 4,400 crores.

To support the increase in sales growth, the Company has established one more assembly unit on 29th March 2010, at an excise duty free zone in Uttarakhand State, with a production capacity of 5.0 million watches per annum having a total built up area of 4,500 sq mtrs.

**International Operations**

The Company achieved an export turnover of Rs.101 crores during the year. Exports include sale of watches and precision engineered components.

The international markets for watches presented a mixed picture, with markets such as Vietnam, Saudi Arabia and Qatar displaying good growth, but countries such as UAE and Singapore remained sluggish. The export of precision engineered components during the year was impacted due to the global meltdown.

**Dividend**

The Directors are pleased to recommend payment of dividend on equity shares at the rate of 150% (Rs.15.00 per equity share), subject to approval by the shareholders at the Annual General Meeting.

**Finance**

During the year under review, the Company raised a total of Rs.10.43 crores from commercial banks. Borrowings of Rs.110.47 crores were repaid during the year. The Company incurred Rs. 44.16 crores as capital expenditure in respect of refurbishment and expansion programmes at manufacturing facilities and retail outlets and in IT Hardware systems.

The Company's continued effort at conserving cash and containing capital employed has enabled the company to reduce its borrowings by more than Rs.100 crores and generate net cash inflow of Rs.232 crores.

During the year, the Company's long term debt rating was upgraded from AA- Stable (pronounced as AA minus) to AA Stable. This indicates high degree of safety.

The Indian economy however started showing revival during the later half of the year. Due to Inflationary pressures, Reserve Bank of India had to tighten the monetary policy by increasing the key interest rates. The Company's average cost of borrowings for the year was 10.70% as against 10.97% in the previous year.

As on 31st March 2010, there were no fixed deposits held by the Company from the public, shareholders and employees other than unclaimed deposits amounting to Rs.0.08 crores.

An amount of Rs.5.28 crores has been transferred to the debenture redemption reserve in accordance with statutory requirements and the terms of Rights Issue.

As amount of Rs.105.51 crores has been transferred to the general reserve.

During the year under review, the Company made payments aggregating to Rs. 456.65 crores by way of central, state and local taxes and duties as against Rs. 388.23 crores in the previous year.

**Amortization of Trademarks**

During the year, the Company reviewed the expected pattern of economic benefits from the use of trademarks. Consequent to such review, a further amount of Rs. 24.04 crores has been amortized.

**Titan Industries Limited**

### Change in the method of valuation of inventory

Consequent to the adoption of hedge accounting of gold, for a more accurate reflection of the operational performance and appropriate presentation of the financial statements, the Company has adopted First-in-First-Out (FIFO) method of valuation of gold from April 1, 2009 as against weighted average method adopted upto March 31, 2009. This change has resulted in a higher profit before taxes of Rs. 13.41 crores during the year ended March 31, 2010.

### Subsidiaries

As part of the proposal to reduce the number of subsidiary companies, the Board of Directors of the Company have approved the amalgamation of Tanishq (India) Ltd, with the Company, for which the process of the Scheme of Merger is proposed to be filed with the jurisdictional High Courts.

Titan Mechatronics Ltd ceased to be a subsidiary of the Company on 30th March 2010 consequent to the Company divesting its entire shareholding in the subsidiary.

As at 31st March 2010, the Company has the following subsidiaries:

1) Titan TimeProducts Ltd, Goa

2) Tanishq (India) Ltd, Bangalore

3) Titan Properties Ltd, Hosur

The performance highlights of these subsidiary companies for FY 2009-10 are as under:

Titan TimeProducts Ltd sold 6.27 million (2008-09: 6.85 million) Electronic Circuit Boards in 2009-10 registered a turnover of Rs. 1,461.59 lakhs (2008-09: Rs. 1,591.38 lakhs) and a net profit of Rs 34.43 lakhs (2008-09: Rs. 80.68 lakhs).

Tanishq (India) Ltd made a net profit of Rs. 41.92 lakhs (2008-09: Rs.23.30 lakhs); Titan Properties Ltd made a net profit of Rs. 9.53 lakhs (2008-09: Rs. 382.02 lakhs).

None of these companies has declared a dividend.

As per section 212(1) of the Companies Act, 1956, the Company is required to attach to its Accounts the Directors' Report, Balance Sheet and Profit and Loss Account of each of these subsidiaries. As the consolidated accounts present a complete picture of the financial results of the Company and its subsidiaries, the Company had applied to the central government seeking exemption from attaching the documents referred to in section 212 (1). Approval for the same has been granted. Accordingly, the annual report of the Company does not contain the individual financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The annual accounts of these subsidiary companies, along with the related information, is available for inspection at the Company's registered office and copies will be provided on request. The statement pursuant to the approval of the central government under section 212(8) of the Companies Act, 1956, is annexed together with the annual accounts of the Company.

### Consolidated Financial Statements

The Consolidated Financial Statements of the Company prepared as per Accounting Standards AS 21, consolidating the Company's accounts with its subsidiaries has also been included as part of this Annual Report.

### Outlook for 2010-11

The year 2009-10 started on a rather cautious note against the backdrop of the global economic meltdown. However, during the later half of 2009-10, Indian economy showed a turn around with a double digit industrial growth and enhanced consumer confidence.

The Watch business will continue to pursue profitable growth through investment in brands, sensible expansion of retail net work, making Titan a premium brand, product innovation and new product collections and other initiatives in Manufacturing and Sourcing.

The watch business will also continue to drive profitable growth in existing Asian markets, focus on marketing investments in Vietnam, Saudi Arabia and South Africa.

The Jewellery business will continue its growth path through various initiatives, including launching of new collections, setting up large format stores, increasing share of studded jewellery and achieving design leadership.

The Precision Engineering Division of the Company, which was significantly impacted in 2009-10 due to the global melt down and the slow down of the Indian manufacturing sector, will continue to build technical expertise comparable to leading international players, develop industry specific capabilities, focus on developing quality vendors, besides seeking opportunities for moving up the value chain.

The Company's fledgling Eyewear business will pursue its focus on enhancing its market share through several initiatives, including expansion of its retail net work, introduction of technologically superior lens products, build awarenenss /brand appeal through mass media, and by creating a differentiated and consistent service ambience across all stores.

Overall, the year 2010-11 will be a year where the Company would drive for strong and profitable growth in all its Indian consumer businesses, retain focus on elimination of wasteful costs, and skillfully navigate the international businesses which will continue to pose challenges due to sluggish demand in some of the geographies.

**Corporate Social Responsibility**

Titan Industries Limited has over the past many years made a conscious effort to incorporate sustainability principles in its approach to Business.

Corporate Sustainability is about sustainability of Profits, Planet and People. It is about value creation that provides lasting and enduring benefits leading to the enhancement of human, social, natural, economic and financial capital.

Our initiatives in MEADOW'S women empowerment program, employment of the differently abled, education initiatives in the Titan Scholarship Program, the Titan School and skill enhancement and business linked initiatives such as the Karigar Parks are to be viewed in this context of enhancing human and social capital. The Jewellery division of the Company has recently launched the Mr. Perfect program which ensures a clean and modern work space for the skilled craftsmen in our Jewellery business and is also aimed at retention and enhancement of human skills.

In the year under review, the number of people impacted by the MEADOW'S program increased for 135 to 160 and the Karigar Parks from 139 to 153. Under the Titan Scholarship program, the number of recipients increased from 44 to 114. The number of saplings planted during the year increased from 9,000 to 11,000. Titan Industries in partnership with Narayana Nethralaya regularly conducts Eye Camps in rural Tamil Nadu. This year 25 Eye Camps were held during which 2,634 free spectacles were distributed, up from 1,676 last year.

All these initiatives create a socially and ethically responsible business entity and helps in long term sustainability thus ensuring value growth for all our various stakeholders.

**Awards and Recognition**

Titan Industries received the Award for the Most Admired Timewear Brand of the Year in 2009. And to follow was, the Most Admired Jewellery Brand of the Year. Titan has won for the ninth consecutive year and Tanishq has won for the seventh consecutive year.

While honouring Titan Industries' sustainable advantages, Indian Fashion Award (IFA) presented the Company with a special award to acknowledge its uncontested leadership in the Timewear and Jewellery categories.

**Particulars of Employees**

In terms of provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars are set out in the Annexure to the Directors' Report. However, having regard to the provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company, and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary or through mail by sending their requests to the Company Secretary at arrajaram@titan.co.in.

**Annexure**

Required information as per section 217(1) (e) of the Companies Act, 1956 is annexed.

**Titan Industries Limited**

**Auditors**

Members will be requested at the Annual General Meeting to appoint auditors for the current year and pass resolutions per item No. 6 of the Notice.

**Corporate Governance**

A separate report on Corporate Governance forms a part of the Annual Report along with the Auditors' Certificate on Compliance.

**Directors**

Mr. N N Tata, Mr. T K Balaji and Dr. C G Krishnadas Nair retire by rotation and are eligible for re-election.

Mr. Rajeev Ranjan, IAS, Principal Secretary to the Government of Tamilnadu, Industries Department, and a nominee of Tamilnadu Industrial Development Corporation Ltd (TIDCO) was appointed as Chairman and Director on the Board of the Company on 29th January 2010. Mr. M. F. Farooqui, IAS resigned as Chairman and Director of the Company on 29th January 2010. The Directors wish to record their gratitude and appreciation for the wise counsel and contribution by Mr. M.F. Farooqui during his tenure as a Director of the Company. Members' attention is drawn to item no 7 of the Notice for the appointment of Mr. Rajeev Ranjan as a Director of the Company.

**Directors' Responsibility Statement**

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors' based on the representations received from the operating management confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
3. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

**Acknowledgements**

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, lenders, business associates including distributors, vendors and customers, the press and the employees of the Company.

On behalf of the Board of Directors,

Rajeev Ranjan
Chairman

Bangalore, 7th June 2010

# Annexure to the Directors' Report

**(Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988**

**Conservation of Energy & Fuel**

The company has successfully implemented various energy conservation projects with state of art equipment and technology in the areas of lighting, vacuum system, air-conditioning and process water cooling / evaporation systems at its watch manufacturing facility. This has resulted in energy saving of Rs. 0.22 crore during 2009 - 10.

The company has also signed up an agreement with Honeywell Automation Limited for execution of various Energy Conservation Projects to optimize the Energy & Fuel cost under "Performance Contracting Concept". Total Investment on this project is Rs.227 lakh and guaranteed cost reduction is Rs.76 lakh per annum for a period of six years from the date of commissioning. Completion of this project is scheduled in August 2010.

The Jewellery Division has implemented various energy conservation projects in the areas of air conditioning, Process equipments etc. with the help of energy efficient equipments and technology. The Division has engaged an external consultant to identify the potential areas of energy saving & the same is under implementation which is expected to result in approx.10% reduction in energy consumption.

The Company has translated the learnings from its Watch and Jewellery manufacturing facilities in designing the new lens manufacturing lab located at Chikkaballapur, Bangalore to optimize.

**Green Power**

The company is planning to source around 35 % of its energy consumption at watch manufacturing facility through the renewable energy resources. During 2009 – 10, 3.7 million units of energy has been sourced from the private wind farms which is equivalent to 30% of the annual energy consumption. During 2010 – 11 targeted generation of energy is 4.0 million units which is expected to the energy cost reduction to an extent of Rs. 15 lakhs.

**Technology absorption, adaptation and innovation**

The Company has successfully re-engineered the existing metal movement of Cal.7000 series to Hybrid version in collaboration with Seiko Epson, Japan.

The hybridization of Cal.7000 will result in major cost saving at full potential volume of 3.0 million and thereby enhance the profitability of movement manufacturing.

For the first time in Indian Watch industry, Automation with robot was successfully installed in machining line. Robotic automation has resulted in increased machine productivity by 10% and manpower productivity of 65%.

The Jewellery Division has taken an initiative of 'Simplify and Automate' to respond to the front end requirement at faster rate. The benefits are reduction in lead time, increase in productivity and customer satisfaction. The division has launched "Mr. Perfect" initiative to bring the best practices at vendor places to manufacture the jewellery and thereby ensure best in class products to the customer and also provide better work environment to the Goldsmith. The Jewellery Division is creating better business clarity between its vendor partners with project VENSYS by extending the on-line ERP system.

The Jewellery Division has initiated Project 3 Day Miracle to respond faster to the retail requirement and reduce inventory as well stock-outs. This streamlines the manufacturing process to produce and deliver the products in a shorter lead time of 3 days. The division has started the "Innovation School of Management" (IScM) to drive the culture of Innovation. This initiative is to create, nurture and realize the ideas into actions through people development.

PECSA ( Precision Engineering Components & Sub Assembly) unit of PED which manufactures precision parts for Aerospace & other High tech engineering segments has been awarded the Best Supplier award by ABB international Sourcing, the award was based on consistent achievement of QD metrics as well innovations and speed of new part development.

The Machine Building & Automation Unit of PED introduced successfully several technologies during the year.

**Environment Management System – ISO 14001**

The Company's Watch manufacturing facilities at Hosur, Dehradun, Baddi, Roorkee, and Jewellery manufacturing and Precision Engineering facilities are certified for ISO 14001: 2004 version Environment Management practices.

The Watches Division won the "GREENTECH Environmental Excellence Award 2009 in Silver Category" for its commitment and outstanding achievement on Environment Management.

The Jewellery Division is certified for ISO 14001:2004 version Environment Management Standards. The Jewellery Division has ensured that its process and activities do not affect the environment by upgrading its Evaporator system to ensure zero discharge. The Jewellery Division has won the "Environment Excellence Award 2009" set by GreenTech Foundation (Gold Award in FMCG sector).

**Titan Industries Limited**

The Lens manufacturing unit of the Eyewear Division is designed to meet and exceed all statutory requirements with reference to environmental impact of the operations.

**Integrated Management System - IMS**

To bring synergy and optimize the resource utilization between Quality and Environmental Management Systems, during 2008-09 your company has successfully merged the documentation of both management system into ONE Integrated Management System (IMS). Your company's certifying agency, Indian Register of Quality Systems (IRQS) have successfully audited this IMS and recommended for Quality and Environmental Management System Certifications.

**Safety Management**

The Company has built safety as integral part of its business / operation management. Clear safety systems and procedures are in place as per statutory norms. Safety performance is monitored regularly through safety committee, audits and processes like safety alert card system, continual training etc.

Effectiveness of safety system is also validated through external experts, during 2009 -10, your company hired the services of Cholamandalam MS Risk Services Ltd, Chennai for a comprehensive safety audit at the Jewellery manufacturing facility at Hosur. Action plans are drawn for the recommendations of this audit and implementation of same is under progress to improve the safety performance. The Jewellery Division has won the First prize in the "State Safety Award 07" for the lowest accident trend from the Government of Tamilnadu.

The Company has taken initiative for OHSAS 18001: 2007 version accreditation for occupational Health and Safety Management for Watch manufacturing facilities at Hosur, Dehradun, Baddi, Roorkee, Jewellery Manufacturing facilities at Hosur and Dehradun and Precision Engineering divisions at Hosur and Bommasandra, corporate office at Bangalore, Regional offices, world of Titan and Tanishq and Eye Plus show rooms.

**Manufacturing, Sourcing, Technology and Design**

As Titan Watch business has aspiring plans to grow in terms of volume, value and its share in Indian as well international market, Hong Kong sourcing office plays a crucial role in supplying the increased volumes of watches, cases, straps, dials and components from Hong Kong by enhancing the vendor base, networking and build relationship with key vendor fraternity. During 2009-10, about 1.0 million of watches, 0.7 million of plastic watches for Sonata Super Fibre and Zoop, 0.7 million of metal straps and 2.2 million of mineral / sapphire glasses have been sourced from Hong Kong.

In addition to the enhanced volumes of sourcing, Hong Kong sourcing office involved in identifying the contemporary designs, features, materials and developing the new products on time at optimal cost. About 100 new products have been developed from Hong Kong during the year 2009-10.

**Expenditure on Research & Development**

(Rs. lakhs)

| | | Year ended 31.3.2010 | Year ended 31.3.2009 |
|---|---|---|---|
| (a) | Capital | **2.03** | 2.12 |
| (b) | Revenue | **257.01** | 292.05 |
| (c) | Total | **259.04** | 294.17 |
| (d) | Total R & D expenditure as percentage of turnover | **0.06%** | 0.08% |

**Foreign Exchange earnings and outgo**

During the year under review, the Company earned Rs.101.55 crores in foreign exchange and spent Rs.2,023.06 crores (including Rs.1,781.19 crores for procurement of gold and Rs.11.57 crores on capital imports).

On behalf of the Board of Directors,

Rajeev Ranjan
Chairman

Bangalore, 7th June 2010

# Management Discussion and Analysis

## India Overview

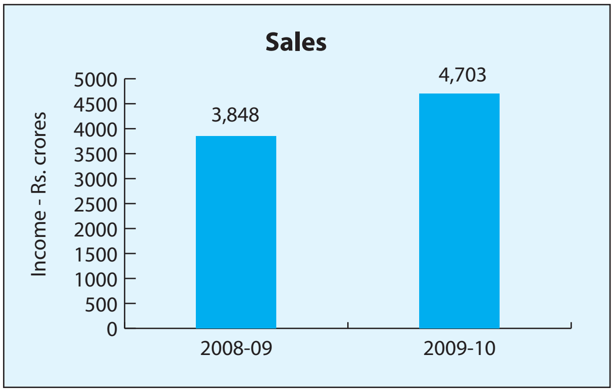
For the country, the year 2009-10, was indeed a challenging one, following the impact of the global financial crisis on the developing world. This was most significantly felt actually during the second half of 2008-09, with the growth rate hovering around the 6 to 6.5 percent range. The pundits had forecasted that this trend would persist for a longer period and the delayed and sub-normal monsoon, added to the general atmosphere of uncertainty. There was considerable concern however on the double digit food inflation (17.9% in January 2010) and the simultaneous inflation in fuel, power and lubricants, which was above the 10% range. Nevertheless, in spite of these adverse factors, India surprised the world by its remarkable recovery, not only in terms of its overall growth rate, but significantly in terms of its fundamental indicators which were blinking positive and this cemented the belief and confidence in India's sustainable progress.

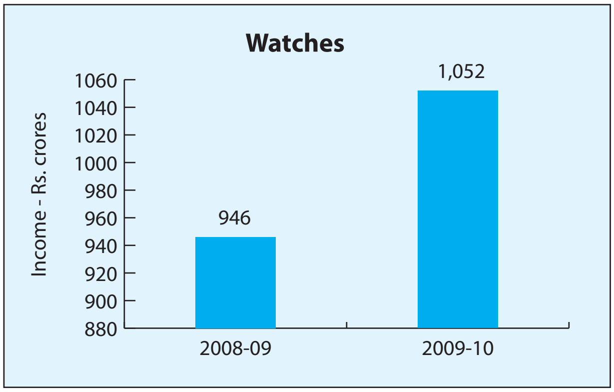
The Company had adopted the maxim of 'cautious optimism', with a company-wide effort at reducing costs, redeploying manpower, conserving cash and containing capital employed.

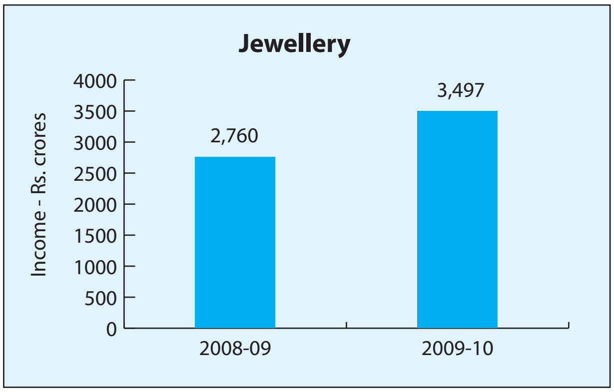
The outlook for the Indian economy looks promising in the future, with several indicators turning to positive during the last 6 months. Agriculture is on priority and is expected to return to the projected path soon. The fundamentals of the economy are steadily improving and the projected growth rate stands at 8.5%. The optimists in fact predict that the economy can breach the 9% mark in 2010-2011 moving to a double digit growth in 4 years time, well on its way to be amongst the fastest growing economies of the world.

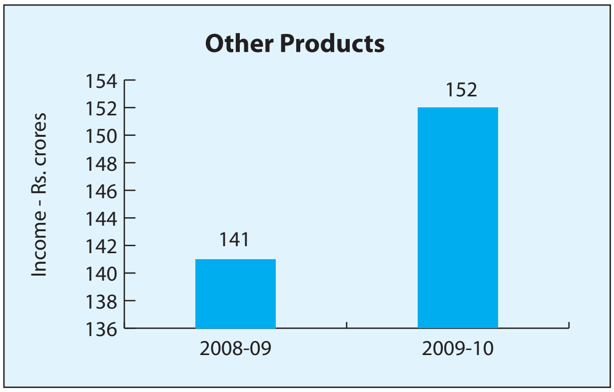
## Business Overview

In its silver jubilee year, Titan Industries indeed came up with a sterling performance, in spite of a backdrop of a challenging economic scenario. The recovery of the Indian economy in the second half of the year is well reflected by our best ever performance, attributed to initiatives both of revenue growth and cost reduction undertaken by the Company. Income grew by 22% from Rs. 3,848 crores last year to Rs. 4,703 crores this year while Net Profit grew by 57% from Rs. 158.96 crores last year to Rs. 250.32 crores this year.

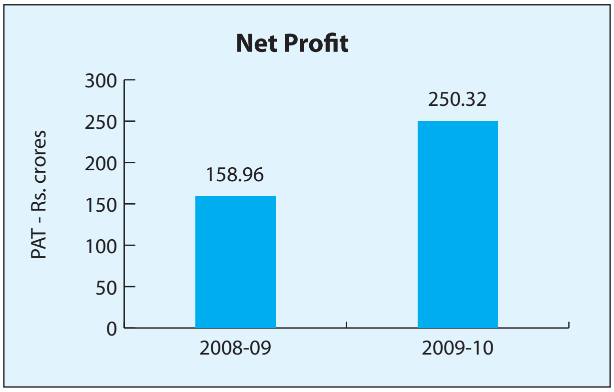


**Titan Industries Limited**




## Watches

### Global trends in the Watches Industry

During 2009, global production of watches was estimated at 865 million timepieces, a significant decline of 20% compared to the previous year. This decline was led by sharply lower demand in several recession-hit markets, including USA, Japan, several countries in Europe and the Americas. China and India were perhaps the only large nations to display growth in consumer demand, and Asia is today firmly positioned as the future growth engine for the watches industry.

The premium and luxury end of the global watches market witnessed a steep decline during 2009, with export sales of the Swiss watch industry, which is central to this segment, declining by 22% during the year after achieving a record high during 2008. The Japanese watches industry, also amongst the largest in the world, declined by more than 15%. However, the first few months of 2010 appear to be more upbeat, and the global watches industry is therefore forecasting a far better outlook for the current calendar year.

The Swatch group, the global market leader in wrist watches, performed relatively better than the overall global market, with sales declining by only 8.1% during 2009. This compares with a growth of 4.3% achieved by the group during 2008.

### The Indian watches market

During 2009, the Indian watches market grew by an estimated 6% to a total size of 46 million watches. This is similar to the growth achieved during 2008, but lower than the historical five-year average growth rate of 8%. India was one of the few countries to display growth of the watches market during this challenging year, led both by the resilient Indian economy and consistent marketing investments by key players. This portends well for the future of the industry, particularly since we expect that global watch brands will continue to invest significantly in Asia and India in the years ahead.

During 2009, the Company managed to further increase its market share in multi-brand watch outlets (as measured by M/s Francis Kanoi Research) by 1.5% in terms of value, notwithstanding competition from over 60 global brands.

Market leadership and growth was achieved through a well crafted portfolio of distinctive brands which cater to virtually all large consumer segments – Titan which is our flagship brand, Titan Raga for women, Titan Zoop for school-going children, Fastrack for college-going youth, Sonata for the economy market and Xylys, our unique Swiss-made offering, at the premium end of the market. Our strong nationwide reach, retail presence, distribution and service network, manufacturing and design capability is unmatched in the country, adding further to our appeal, access and strength. Our vision of being world-class, innovative, contemporary and building India's most desirable brands continues to drive our strategy and our growth.

Based on these strong pillars, the watches business of the Company achieved a record profit before taxes of Rs. 139 crores and a robust ROCE of 49 % during 2009-10, notwithstanding challenging market and economic conditions. You will also be proud to note that the watches business won the coveted "Sustained Excellence Award" of the Tata Group during 2009, which reflects a very high level of excellence across all areas of the business.

### Key milestones and areas of focus

Our watches are now sold in India and 26 countries across the world. While we are the dominant market leader in India, we also enjoy strong positions in the mid-priced segment in many Asian markets.

Our flagship brand Titan launched several new collections of watches during the year, to stimulate consumer demand and drive multiple watch ownership. These included Titan Raga Flora, Titan Purple and a new collection of the iconic Titan Edge. The year also marked Titan's entry into the automatic watches segment, which is likely to grow significantly in future years. Titan Zoop, a new sub-brand for children, was rolled out across the country.

Sonata, our economy brand, continued to remain India's largest watch brand in terms of volume sales. Sonata Super fibre, our first significant offering in the large sub-Rs. 500 price segment, achieved significant market share in its first full year of launch. This market segment is currently dominated by the unorganized sector, and therefore represents a large growth opportunity for the future.

Fastrack, our youth brand, also launched several new and innovative lines of watches and sunglasses, such as the Bikers' Collection. During the year, Fastrack also began a successful foray into the youth accessories market, with the national launch of bags, belts, wallets and wristbands. To showcase and retail the entire range of Fastrack products, a number of exclusive Fastrack stores were opened during the year.

At the premium end of the watches market, the Company also piloted a new retail store format, called "Helios", which aims to develop retail space for the rapidly growing premium and luxury watches market in India. We are confident that "Helios" will pioneer the growth of premium multibrand watch retailing in India, thus contributing strongly and directly to the overall growth of the industry.

Our "World of Titan" retail store network, grew to 291 stores by March 2010. Similarly, our "Titan Watch Care Centres", which offer service to millions of consumers who own and use our watches, increased their presence to 225 locations. We now offer our consumers authorized service facilities in over 768 points nationwide. We also continued to forge strong partnerships with modern departmental stores such as Shoppers' Stop, Pantaloons, Central, Lifestyle, Westside and Reliance Retail, which are changing the shopping paradigm in India.

Our international business witnessed a mixed year, with some markets such as Vietnam and Saudi Arabia performing very well, whereas other countries such as UAE were impacted by a sharp economic recession.

**Manufacturing, Sourcing, Technology and Design**

During the year, a new assembly unit was opened in Pant Nagar (Uttarakhand State), thus adding to our existing units at Hosur, Dehradun, Baddi and Roorkee. Our Design Studio and Technology wings also achieved commendable progress in developing breakthrough innovation and new products for Indian and international consumers.

The Design Studio and watch manufacturing worked with Foley Designs, a design firm and Bharat Electronics Limited (BEL) to produce the baton for the Commonwealth Games (picture on the cover page of this annual report) which was handed over to President of India, Her Excellency Smt. Pratibha Devisingh Patil by the Queen Elizabeth II to mark the commencement of the journey of the baton through all the Commonwealth countries.

"Titan Experience Zone" was created by the Design Studio to showcase the Watch Division's capabilities and achievements in an interesting and high tech manner at the Company's store in Hosur.

## Jewellery

The international investment demand for gold, especially Exchange Traded Funds (ETFs), kept the dollar price of gold rising throughout most of 2009-10. This factor, combined with a steadily depreciating rupee, kept the rupee price of gold at very high levels. On average, the rupee price of gold was around Rs 1474/gram for 22k, which was more than 20% as compared to 2008-09 levels.

The high gold rate during the current year along with its volatility seems to have been internalized by the customers. Post the subdued first and second quarters of 2009-10, we have witnessed a significant growth in volumes in the following two quarters. The surge in volume growth in the last two quarters of 2009-10 has led the Tanishq brand to post a double digit growth in volumes for the FY 09-10.

**Sales and Marketing**

Tanishq outperformed the industry, which grew only by 5-10% in value terms, whereas Tanishq retail sales clocked a 38% value growth. The Industry witnessed a decline in tonnage sales of Gold by 15%, where as Tanishq grew in volumes by 11%. Similarly, the Diamond Jewellery market growth for the industry was around 20% where as Tanishq grew by 47%.

The Tanishq Boutique Retail Chain saw the addition of only 1 store, which was the first of its Large Format Store strategy set for the Brand. This store spans across 20,000 sq.ft on Usman Road, Chennai, considered to be the hub of Jewellery buying in South

India. The Company had 114 Tanishq stores across 75 towns at the year end. New product introductions, which are critical for Brand differentiation, continued with the launch of the 'Glam Gold" Collection, Red Carpet Collection and the Valentines Collection. These collections were extremely well received by our customers and clearly added great value and sheen to the Brand and made it stronger. The "Queen of Diamond" contest, a Tanishq marketing initiative was a great success during the Diwali season, leading to a 40% growth over same period of 2008-09.

The two key Tanishq relationship programs, "The Golden Harvest Scheme" (GHS) and Anuttara, saw a surge in the enrollment base. The GHS, an installment based Jewellery buying initiative, saw record enrollments leading to 15% of its retail sale coming from the GHS. The new enrollments of 09-10 are expected to increase the sales contribution of GHS to 25% of 2010-11 retail sales. The Anuttara loyalty program saw the member base rise to over 4, 50,000 members during the year.

Gold Plus, the mass market Jewellery brand of your Company, grew by 22% over the previous financial year. Gold Plus focused more on consolidating in the existing markets, and hence did not expand its network. Gold Plus closed one of its stores in Bheemavaram in view of its low market potential and presently has 29 stores in 29 towns. The customer base of Gold Plus crossed the 3 lakh mark and the unique loyalty program, Ananta has about 80 K members. Gold Plus launched several successful collections like the 3 D Peacock collection and the Maya collection. Gold Plus also bagged 4 international awards (MAA Global and MAA Asia Pacific) for its unique campaign of the World's largest Bangle.

The Company's third jewellery brand, Zoya has two stores which cater to high end consumers looking for exclusive designs and retail environment.

**Integrated Supply Chain**

The Integrated Supply Chain Management (ISCM) operations accepted the challenge of the higher sales requirement. With little incremental investment, all requirements of alignment, cost and quality were met as per the planned targets, thanks to the support of our able and committed vendor base.

On the back of such a good operational performance and coupled with tight controls on retail and factory overheads, the domestic operations turned in a profit before tax of Rs. 251 crore, which is so far the best ever. Return on capital was in excess of 90% and the cash flow from operations was in excess of Rs. 190 crore.

Our first-mover advantage in this industry remains unchallenged. The entry of other corporate players into jewellery began with much fanfare, but has not lived up to the initial hype. Obviously it takes years to acquire the assets and competencies that we have with us: our brands, network and business partners on the asset side, and our design, merchandising and marketing, manufacturing, vendor management and supply chain, and retail operations and customer management on the capability side.

Gold prices crossed the $1200/Tr.oz level in December 2009, mainly due to higher investment demand globally, amidst depressed economic scenarios in the US and Europe. The forthcoming year is expected to see lower volume growth in gold compared to the previous years and therefore, the Jewellery Division will focus mainly on increasing its sales mix in diamond and other studded category and further improving its working capital management.

## Eyewear

The eyewear Industry saw heightened activity in 2009-10. Numerous new stores were setup, there was enhanced media activity and a slew of promotions were seen.

Titan Industries focused on consolidating its eyewear business, enhancing profitability and building brand awareness and appeal. It has expanded its retail chain to 82 stores and is present in 41 towns as on March 2010. Brand awareness has significantly improved and consumers today recognize Titan Eye+ a preferred destination for eyewear. The brand will continue to innovate and meet the latent needs of the middle and upper middle Indian consumer.

The eyewear industry continues to be largely unorganized with few national/regional optical chains. Competitive activity has increased and larger players are beginning to intensify their efforts to grow the market. It is estimated that this industry is currently growing at over 15% per annum.

With the threat of an economic downturn receding, increased market activity and greater awareness and exposure to international eyewear trends, it is expected that this industry will grow at a faster pace over the next 3-5 years.

Titan Eye+ has envisioned a lead role for itself in redefining the eyewear industry in India. We have introduced numerous differentiated and innovative products, taken eye testing to a new level, set up our own state-of-the-art lens manufacturing facility, set new standards in product quality and provided enablers like the style section to help customers choose the right frame.

We expect to continue to lead the market in the coming year. We will expand operations and increase the retail network. We will also continue to focus on providing high quality and differentiated products and services consistently across stores. Being largely a service business, we have invested extensively in training of manpower.

The Company continues to see eyewear as a high potential business and expects that this business will be a healthy contributor to the bottom line in the years to come.

## Integrated Retail Services

2009-10 being the first full year of operation, we were able see the benefit of the integration of the business development, project management and retail training functions through the creation of the Integrated Retail Services function. The retail chains saw a net addition of 52 stores and over 81,000 square feet of area, taking the total number of stores to 539 with an area of over 6.85 lakhs square feet. Property rentals saw a fall during the period and the Company was able to take advantage of the lower rentals for new properties that were signed up as well as re-negotiate rentals of some of the high rental properties that we had taken earlier. The projects team was able to bring down the costs of store interiors through the benefit of larger scale and cross learnings from the brands and better utilization of its manpower resources. The projects team is also credited with designing of the new Tanishq large format store as well as the first Titan flagship store in Mumbai without the assistance of external agencies.

The retail training efforts also got a fillip with the sharing of learnings across the brands and, for the first time, we were able to integrate the retail Rewards and Recognition program, christened ' Impressions' across all the three divisions of watches, jewellery and eyewear."

## Precision Engineering Division (PED)

During the year 2009 – 10, PED was significantly impacted due to the global melt down and consequent slow down of the Indian manufacturing sector. Both the business units, viz. Precision Engineering Components and Sub-Assembly (PECSA) and Machine Building and Automation (MBA), showed significant drop in enquiries from international as well as domestic customers and hence drop in orders. The revenues of PED dropped by 27% during 2009 - 10.

PECSA obtained the coveted NADCAP (National Aerospace and Defence Contractors Accreditation Programme) certification, an important milestone for being recognized as a quality vendor in aerospace. PECSA also won the first prize as the best vendor by ABB process automation business. MBA delivered a photo sensor assembly to a large oil and gas company in United States.

With the global markets slowly coming out of the downturn, this business will also see a gradual recovery driven primarily by MBA. Enquiry levels are on the rise for automation solutions and we expect the second half of 2010-11 to improve further.

## Knowledge Management

Knowledge Management continues to be an area of importance for Titan Industries. Having realized the potential for leveraging learning from various businesses that the Company now pursues, the focus is to enable the employees across the domains and businesses to share knowledge on products, processes, people, policies, partners, projects, performance, assets, customers, technology and strategies. Watches, Jewellery and Eyewear divisions have already started sharing process improvements across their retail stores in the country. 2010-11 would see deployment of KM portals in most of the retail stores across all the three divisions.

In Business Excellence, both Time products and Jewellery Division have moved into the next higher band during the TBEM 2009 external assessment. While Jewellery Division has moved into the "Emerging Industry Leader" band, the Time Products Division has moved into the "Industry Leader" band. The Time products Division was also awarded the "Sustained Excellence" award, on 29th July 2009 by Mr. Ratan Tata, for recording three consecutive improvements after winning the JRD-QV award. The Watches Division won the JRD-QV award in the year 2006. The Eyewear Division and the Precision Engineering Division would start preparing themselves to apply for the Business Excellence Award during the next couple of years.

## Human Resources

The Company has achieved many milestones and received significant recognition in its HR practices. More than 92% of its employees have rated Titan as a 'Great Place to Work' during 2010, up from 88% in the previous year, which is noteworthy. For the second time running, the Company has been rated amongst the top 25, amongst more than 400 companies, who participated in the survey conducted by 'Great Place to Work Institute' in collaboration with "Economic Times", and came out on top in the Retail category.

**Titan Industries Limited**

During the year 2009-10, a total of 417 new recruits were added in the system (Company and Agency employees), with a net addition of 197 employees, most of them in the retail, and a few to support the opening up of a new Assembly plant at Pantnagar. As on 31st March 2010, your Company had 4353 employees on Company rolls, out of which 2630 were in the factories, 800 in retail, about 578 in sales and marketing while the rest 345 were in support functions.

Titan Industries is proud to have such an engaged and loyal workforce which is also seen from the fact that the attrition has been one among the lowest in the last many years.

The Company's Human Resource Policies have been constantly reviewed and re-aligned based on people expectations, making it people friendly and thereby creating an engaged workforce.

Our efforts on building capability and reinforcing the talent development programme continued with a sharp focus on mapping competencies of various roles, and providing training based on competency gaps. We undertook many programs based on both functional as well as managerial needs. Among other programs, a key initiative this year also included a virtual class room base training (TeMS) for 50 of our functional resources.

The 'People First' program launched last year continued to make rapid strides, and an important feature has been the conducting more than 17 engagement platforms called the "Titan Integration Meet" covering more than 9000 employees, including employees in franchised outlets.

Industrial Relations across all manufacturing units continue to be very cordial and favourable and this was reflected by your Company signing a 3 year Wage Settlement with the Union, which was a win-win agreement for all. Employee participation in various engagements such as business plan communication, small group activities, safety forums continue early this year.

## Information Technology

In the process of keeping current and addressing the infrastructure needs of the organization, Information Technology function has initiated several long term plans. Rolling out of Point Of Sale System for Watches Division and implementing the SAP retail solution for the Eyewear division towards seamless data integration were key IT implementations during the last year.

Aligning with the growing Jewellery Division's long term plans, a project of Futuristic POSS, to address the retail needs is initiated this year. The outcome will be a enhanced Point of Sale solution which is flexible and scalable. To meet the challenges of changing supply chain scenario and to ensure the volume growths are achieved without hurdles, a project on revamping the ERP system is proposed. Initial activities towards this have commenced this year.

To enhance the overall IT infrastructure and to bring in several cutting edge technologies, thereby making IT a key enabler of the organizational growth, a IT strategy study is being proposed. Activities towards engagement of a partner towards this are initiated.

## How the Company fared

The Company achieved a growth of 22% in sales turnover and profit before taxes went up by 39% over the previous year after accounting for Rs. 24.04 crores towards additional amortization of trademarks. Net profit grew by 57% over the previous year.Some of the key financial indicators of the Company are as under :

| | **2009-10** | 2008-09 | 2007-08 | 2006-07 |
|---|---|---|---|---|
| Sales to Net fixed assets ( No. of times) | **17.11** | 13.09 | 10.77 | 8.00 |
| Sales to Debtors ( No. of times) | **50.24** | 36.22 | 31.53 | 23.21 |
| Sales to Inventory ( No. of times) | **3.51** | 3.20 | 2.98 | 3.15 |
| Retained Earnings - Rupees in crores | **173.14** | 115.08 | 108.72 | 67.72 |
| % of Net profit for the year | **69.2%** | 72.4% | 72.4% | 71.9% |
| Operating Return on Capital Employed * | **45.4%** | 34.2% | 34.8% | 30.7% |
| Return on Capital Employed (EBIT) | **45.4%** | 34.2% | 34.8% | 25.8% |
| Return on Net worth | **39.2%** | **32.2%** | 39.4% | 36.0% |

* excluding exceptional items

## Risks and Concerns

The Company is actively engaged both at the operational level and at the strategic level in assessing the risks of each of the businesses under the oversight of the Board.

Watches, Jewellery and Prescription Eye-wear are consumer led businesses and the retail network expansion is carried out through franchisees at the front end, which is an efficient way to expand rather than having Company owned/managed showrooms which is a costlier option. The relationships have to be actively managed to pre-empt shifting of loyalties of these franchisees to other product category brands/brands within these categories.

The Company is seeking to address the risk by maintaining a high level of engagement with the Franchisees and addressing their reasonable business requirements in an empathetic manner via both contractual arrangements and day to day interface with these business associates.

The Company continues its initiatives aimed at cost control and efficiency across businesses and across functions. The close monitoring of the cash flow on day to day basis and minimizing the cash to cash cycle time and even sharper focus on cash generation has been a desirable outcome of the recessionary trend in the economy.

Risks specific to each of the four Business Divisions of the Company are as under:

### Watches Business

1. A large grey market continues to hinder the growth of the organised watches market, particularly in the economy segment and in smaller towns of the country. While we have launched Sonata Superfibre as a frontal attack in this sub-Rs. 500 segment, strong regulatory action is required to ensure that several unscrupulous grey market players are brought within the ambit of law. Your Company has been taking some steps in this direction, such as statutory action against offenders but these have not succeeded in entirely arresting the growth of the grey market.

2. There is a perceived threat to the product category of watches as a time-keeping device, due to the increasing penetration and use of mobile phones which also display time. Your Company has sought to address this risk by positioning watches as personal accessories, and consistently launching new collections which can stimulate consumer demand based not merely on functionality, but also on fashion and style. Also, by launching watches for children under the Titan Zoop brand, we hope to make watch wearing an early habit.

3. Competition from international brands remains a risk, but your Company has successfully countered such competition in the past few years through a well-crafted portfolio of brands and channels, and has grown market shares successfully. We will continue to follow this strategic approach in the years ahead.

4. The high cost of captive manufacturing remains a future risk, and your Company has sought to address this risk by a multi-pronged approach which includes the establishment of low-cost assembly units in North India, outsourcing most components other than critical ones, increasing the use of automation in our manufacturing plants and several other measures to improve productivity.

5. Input commodity and component costs in the short-term to medium-term remain a possible risk particularly as the world is moving out of a recessionary cycle. We believe our brands have the strength to absorb such input cost increases through appropriate pricing changes.

### Jewellery Division

Rising price of gold as well the volatility continues to be the biggest risk for the industry and division. During the first 5 months of 2009-10, the price rose significantly and volumes were affected. The price then settled around that high level, customers got used to that, and the volumes picked up thereafter. It is an unpredictable factor as such and also something very difficult to work around. A greater and greater share of business from diamonds is the only way out of this risk.

The Division is now employing more than Rs. 1000 crores in inventory. When the price of gold rises, the value of this inventory also rises, while sales may actually decrease. This would mean a poor stock turn with consequences on ROCE and cash flow. On account of our conservative views about sales prospects in 2009-10, we had kept stocks under strict control. But the sales performance for the year turned out to be much better than expected. The result was a handsome improvement in the stock turn.

**Titan Industries Limited**

There are many initiatives in the pipeline to make our stocks work for us much better, key among them being:

1. Populating all stores with many more best-sellers than at present, establish a made-to-replenishment pipeline to deal with sell-out on a daily basis.
2. Dealing with slow-moving (the tail of the inventory) in a more systematic way.
3. Introducing new products in a more systematic way.

More than 200 crores of this inventory is held with vendors at the peak load time. There is a physical risk associated with this. This risk is being mitigated by a host of measures like frequent physical verifications, tight control on number of days inventory holding, fidelity insurance as well as consolidating all manufacturing under fewer units through the Mr Perfect programme.

### Eyewear

The low entry barriers have attracted many new players to this industry. Your Company will create sustainable differentiators to make an impact in this industry. The retail network is now 82 stores and the company has plans for aggressive expansion in the coming year.

The risk of outsourcing as a sourcing option is a factor to reckon with in this business. Moreover as the procurement of frames is mostly by US$ inputs, the INR: USD parity can affect the margins. This would be partially mitigated by the Company setting up its own lens manufacturing laboratory near Bangalore in Karnataka. As regards the impact of INR: USD exchange rates, the Company believes that its strong brands have the ability to make adequate pricing changes and absorb additional input costs.

### Precision Engineering Division

Precision Engineering Components and Sub Assembly (PECSA) business is capital intensive. There is a continuous need to invest in new machinery to cater to widely varying needs of the customers. For a fledgling business, it is difficult to justify returns on large investments. Since Titan Industries is in a ambitious growth phase, there are competing demands for investment. Not being able to invest could become a bottleneck in growing PECSA.

PECSA is today dependent on two key industries, namely, aerospace and automobiles. Both the industries are going through difficult times. Automobile industry has traditionally suffered from low margins. Aerospace is cyclical and there are periods when the industry suffers from stagnation. Dependence on these two industries would be a deterrent for the growth of PECSA in the near future. They need to broad base their business by looking into opportunities in other areas.

## Internal Controls

The Company's internal audit system is geared towards ensuring adequate internal controls to meet the increasing size and complexity of business, for safeguarding the assets of the Company and to meet with the compliances.

The internal audit program focuses primarily on checks and controls on systems and processes, monitoring compliances, continuous upgrade of controls and the current business risk assessment. This process enables reporting of significant audit observations to the Audit Committee. The Audit Committee reviews the audit observations and monitors the implementation through action taken reports.

During the year top business risks of the company covering all the divisions are updated. The Audit Committee recommends on risk mitigation plans on control activities including the policies and procedures to address risk-prone areas which are acted upon by the Management and other personnel.

## Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward – looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

# CORPORATE GOVERNANCE

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

## A. MANDATORY REQUIREMENTS

### CORPORATE GOVERNANCE PHILOSOPHY

The Company believes that it must so govern its affairs as to optimise satisfaction amongst all its stakeholders, which includes its esteemed customers, providers of capital, employees, those from whom we buy and through whom we sell, the communities in which our primary activities take place and society at large. The Company attaches equal importance to both ends and means - the results sought to be secured and the methods used to achieve them. The Company believes that, in whatever it does, it must contribute to the economic and social development of India, a basic tenet of the Tata Group to which your Company belongs. The Company views the governance norms originating in the institutions of the capital market as an integral part of its corporate governance philosophy to be respected not just in the letter but, more importantly, in spirit. The Company realizes that it must disseminate information pertaining to its affairs so that all stakeholders may gain a true understanding of its activities and aspirations. The Company aims at attainment of the highest levels of transparency, accountability and equity in its operations, thus leading to best standards of Corporate Governance. It is the Company's belief that good ethics needs good business sense and our business practices are in keeping with this spirit by following the Tata Code of Conduct thereby maintaining high ethical standards. The Company has become a signatory to Global Compact, which has social dimensions to the functioning of the corporate entity within the ecosystem.

### BOARD OF DIRECTORS

Titan Industries Limited was promoted by the Tamilnadu Industrial Development Corporation Limited (TIDCO) and the Tata Group. As on 31st March 2010, the Company had 12 Directors, comprising 11 Non-Executive Directors and 1 Executive Director.

The composition and category of Directors as of 31st March 2010 is as follows:

| Category | Name of the Director | No. of Directors |
|---|---|---|
| Nominee Directors of TIDCO<br>(Non-Executive, Non-Independent) | Mr. Rajeev Ranjan[1]<br>Mr. Sunil Paliwal[2]<br>Mr. V Parthasarathy | **3** |
| Nominee Directors of Tata Group<br>(Non-Executive, Non-Independent) | Mr.Ishaat Hussain<br>Mr.N.N.Tata | **2** |
| (Executive, Non-Independent) | Mr. Bhaskar Bhat | **1** |
| Other Directors<br>(Non-Executive, Independent) | Mr. T.K.Balaji<br>Dr. C.G.Krishnadas Nair<br>Mr. Nihal Kaviratne<br>Ms. Vinita Bali<br>Mrs. Hema Ravichandar<br>Mr. R Poornalingam | **6** |
| **Total** | | **12** |

[1] Mr. Rajeev Ranjan, nominee of TIDCO, was appointed as Chairman and Non-Executive Director of the Company on 29th January 2010 in place of Mr. M.F. Farooqui who resigned on 29th January 2010.

[2] Mr. Sunil Paliwal nominee of TIDCO was appointed as a Non-Executive Director in place of Mrs. Anita Praveen who resigned on 29th January 2010. Mrs. Anita Praveen had joined the Board of the Company on 1st June 2009.

During the year, the Company had a Non-Executive Chairman, a nominee of the Promoter and fifty percent of the total strength of the Board of Directors were independent.

The Company has not had any pecuniary relationship and transaction with any of the Non-Executive Directors during the year under review.

The Board of Directors met five times during the Financial Year 2009-10. Board Meetings were held on 29th April, 27th July, 23rd October in 2009 and on 29th January and 29th March in 2010.

**Titan Industries Limited**

The information as required under Annexure 1A to Clause 49 of the listing agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director and Executives of the Company regarding compliance with all laws applicable to the Company on a quarterly basis.

Attendance of each Director at the Board of Directors meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee memberships held by them in domestic public companies as at 31st March 2010 are as indicated below:

| Name of Director | No. of Board meetings attended out of 5 meetings of the Board of Directors | Whether attended last Annual General Meeting | No. of Directorships in domestic public companies (including this Company) | | No. of Committee memberships in domestic public companies (including this Company) | |
|---|---|---|---|---|---|---|
| | | | As Chairman | As Director | As Chairman | As Member |
| Mr.Rajeev Ranjan[1] | 2 | NA | 8 | 4 | - | - |
| Mr.Sunil Paliwal[2] | 2 | NA | 3 | 12 | 1 | 2 |
| Mr. Bhaskar Bhat | 5 | Yes | 1 | 3 | - | 1 |
| Mr. N N Tata | 5 | Yes | - | 8 | 1 | - |
| Mr. Ishaat Hussain | 5 | Yes | 2 | 13 | 4 | 5 |
| Mr. T.K.Balaji | 4 | Yes | 1 | 9 | 1 | 3 |
| Dr.C.G.Krishnadas Nair | 5 | Yes | 2 | 5 | 1 | 1 |
| Mr. Nihal Kaviratne | 5 | Yes | - | 6 | 3 | 4 |
| Ms. Vinita Bali | 5 | Yes | - | 5 | - | 2 |
| Mr. V. Parthasarathy | 5 | Yes | 1 | 8 | - | 3 |
| Mrs.Hema Ravichandar | 4 | Yes | - | 2 | - | - |
| Mr. R Poornalingam | 5 | Yes | - | 4 | - | 1 |

[NA – Not Applicable]

[1] Mr. Rajeev Ranjan, nominee of TIDCO, was appointed as Chairman and Non-Executive Director of the Company on 29th January 2010.

[2] Mr. Sunil Paliwal, nominee of TIDCO, was appointed as a Non-Executive Director of the Company on 29th January 2010.

## CODE OF CONDUCT

Whilst the 'Tata Code of Conduct' is applicable to all Whole-Time Directors and by definition to the Managing Director and employees of the Company, the Board has also adopted a Code of Conduct for Non-Executive Directors, both of which are available on the Company's website. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct for the Financial Year ended March 31, 2010. A declaration to this effect, duly signed by the Managing Director is annexed hereto.

## AUDIT COMMITTEE

The Audit Committee of the Board was constituted in 1999. The constitution of Audit Committee is in conformation with the requirements of Section 292A of the Companies Act, 1956 and also as per the requirements of Clause 49 (II) (A) of the Listing Agreement.

**Powers of the Audit Committee**

a) to investigate any activity within its terms of reference;

b) to seek information from any employee;

c) to obtain outside legal or other professional advice; and

d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference of the Audit Committee are as under:

a) Oversight of the Company's financial reporting process and the disclosures of the financial information to ensure that the financial statements are correct, sufficient and credible.

b) Recommending the appointment and removal of statutory auditors, fixation of audit fees and also approval for payment for any other services.

c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

- any changes in accounting policies and practices;
- major accounting entries based on exercise of judgment by management;
- qualifications in draft audit report;
- significant adjustments arising out of audit;
- the going concern assumption;
- compliance with accounting standards;
- compliances with Listing Agreement and other legal requirements concerning financial statements;
- any related party transactions.

d) Reviewing with the management matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

e) Reviewing with the management, statutory and internal auditors, the adequacy of the internal control systems.

f) Reviewing the adequacy of internal audit functions, including the structure of the internal audit department; approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

g) Discussion with Internal Auditors any significant findings and follow up thereon.

h) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

i) Discussion with Statutory Auditors before the audit commences about the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

j) Reviewing of management letters issued by the statutory auditor.

k) Reviewing the Company's financial and risk management policies.

l) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

m) Seek assistance from the Statutory Auditors in such areas and in such manner as desired by the Audit Committee from time to time.

n) Reviewing the functioning of the Whistle Blower mechanism.

o) Reviewing Management Discussion and Analysis of financial condition and results of operations.

p) Reviewing with the Management, the quarterly financial statements before submission to the Board of Directors for approval.

Mr. Nihal Kaviratne, Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

As at the year-end, the Audit Committee of the Board comprised of six members, four of them being Independent Directors. All members are financially literate and have relevant finance and / or audit exposure. Mr. Ishaat Hussain is a Chartered Accountant and is a financial expert.

The Audit Committee met five times during the Financial Year 2009-10 on April 29, July 27, October 23 in 2009 and on January 29 and February 23 in 2010. The quorum as required under Clause 49 (II) (B) was maintained at all the Meetings.

**Titan Industries Limited**

The name of the Directors who are members of the Audit Committee and their attendance at Audit Committee Meetings are given below:

| Name of Director & Category | No. of Meetings attended out of five meetings |
|---|---|
| Mr. Nihal Kaviratne (Chairman) (Non Executive) (Independent) | 5 |
| Mr. Ishaat Hussain (Non Executive) (Non Independent) | 5 |
| Mr. T. K. Balaji (Non Executive) (Independent) | 5 |
| Dr. C. G. Krishnadas Nair (Non Executive) (Independent) | 5 |
| Mr. V. Parthasarathy (Non Executive) (Non Independent) | 5 |
| Ms. Vinita Bali (Non Executive) (Independent) | 5 |

The Managing Director, the Executive Vice President - Finance, the Chief Operating Officers of the Watches, Jewellery, Prescription Eyewear and the Precision Engineering Divisions and the Head - Internal Auditor were present at Meetings of the Audit Committee. Representatives of the Statutory Auditors and representatives of the outsourced Internal Auditors, M/s. Ernst & Young are invited to the Meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

## OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

**a. Remuneration Committee**

The broad terms of reference of the Remuneration Committee are to recommend to the Board the appointment / reappointment of Managing Director and / or Whole-time Directors, the remuneration including Commission payable to the Managing Director, revision in salary to be paid from the succeeding financial year, based on evaluation of performance for the year under consideration. The performance evaluation is based on financial performance, market performance etc., of the Company. The Remuneration Committee also recommends the total remuneration payable to Non-Executive Directors and the criteria for payment amongst the Directors. The criteria for payment of Non-Executive Directors Commission for Financial Year 2009-10 is attendance at the Meetings of the Board and the Committees thereof.

The following Directors are the members of the Remuneration Committee:

Mr. T K Balaji (Chairman) (Non Executive) (Independent)

Mr. Ishaat Hussain (Non Executive) (Non Independent)

Mr. S Ramasundaram[1] (Non Executive) (Non Independent)

Mr. Sunil Paliwal[2] (Non Executive) (Non Independent)

Mrs. Anita Praveen[3] (Non Executive) (Non Independent)

[1]Resigned on 11th May 2009

[2]Member from 19th February 2010

[3]Member from 27th July 2009 to 29th January 2010

During the Financial Year 2009-10, a meeting of the Remuneration Committee was held on 29th April 2009.

**b. Shareholders' Grievance Committee**

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports and non-receipt of dividends declared by the Company, etc. During the Financial Year 2009-10, a meeting of the Shareholders' Grievance Committee was held on March 30, 2010. All the members were present at the meeting.

The members of the Shareholders' Grievance Committee are as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)

Mr. Bhaskar Bhat (Executive) (Non Independent)

Mr. V Parthasarathy (Non Executive) (Non Independent)

Mr. R Poornalingam (Non Executive) (Independent)

The Compliance Officer is the Company Secretary, Mr. A R Rajaram.

**c. Share Transfer Committee**

A Share Transfer Committee was constituted on 27th July 2009 to facilitate speedy disposal of requests pertaining to transfer, transmission, issue of duplicate share certificates etc. The Members of the Share Transfer Committee are as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)

Mr. Bhaskar Bhat (Executive) (Non Independent)

Mr. V Parthasarathy (Non Executive) (Non Independent)

Mr. R Poornalingam (Non Executive) (Independent)

**d. Committee of Directors**

The Board has constituted the Committee of Directors to approve routine and specific matters delegated by the Board.

The composition of the Committee of Directors is as follows:

Mr. Sunil Paliwal[1] (Non Executive) (Non Independent)

Mrs. Anita Praveen[2] (Non Executive) (Non Independent)

Mr. Ishaat Hussain (Non Executive) (Non Independent)

Mr. V Parthasarathy (Non Executive) (Non Independent)

Mr. Bhaskar Bhat (Executive) (Non Independent)

Mr. R Poornalingam[3] (Non Executive) (Independent)

[1]Member from 19th February 2010

[2]Member from 27th July 2009 to 29th January 2010

[3] Member from 27th July 2009

The business transacted by the Committee as recorded in circular resolutions, are placed before the Board at the next meeting, for due ratification.

**e. Ethics and Compliance Committee**

The Ethics and Compliance Committee reviews the compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, and the Tata Code of Conduct.

The composition of the Committee is as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)

Mr. Bhaskar Bhat (Executive) (Non Independent)

Mr. V. Parthasarathy[1] (Non Executive) (Non Independent)

Mrs. Hema Ravichandar (Non Executive) (Independent)

[1]Resigned as a Member from 29th January 2010

During the year 2009-10, this Committee held a Meeting on October 22nd in 2009 and on February 19 and March 30 in 2010.

Mr. C. Srinivasan has been designated as Chief Ethics Officer of the Company with effect from 19th February 2010 in place of Mr. N. Kailasanathan. The Compliance Officer designated for compliance with SEBI Guidelines for Insider Trading, is Mr. K.F. Kapadia, Executive Vice President - Finance for the financial year 2009-10.

**f. Nomination Committee**

Nomination Committee recommends to the Board most eligible nomination for appointment as Directors, appropriate to the Company's structure, size and complexity and special expertise and experience of the Directors in related domains / field.

The composition of the Committee is as follows:

Dr. C G Krishnadas Nair (Chairman) (Non Executive) (Independent)

**Titan Industries Limited**

Mr. T. K. Balaji (Non Executive) (Independent)

Mr. N N Tata (Non Executive) (Non Independent)

Mr. Rajeev Ranjan[1] (Non Executive) (Non Independent)

Mr. M F Farooqui[2] (Non Executive) (Non Independent)

[1]Member from 19th February 2010
[2]Resigned as a Member from 29th January 2010

The Committee did not meet during the financial year 2009-10.

## SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary Company and hence, it is not mandatory to have an Independent Director of the Company on the Board of such subsidiary company. The Audit Committee reviews the financial statements, particularly, the investments made by the Company's non-listed subsidiary companies. The minutes of the non-listed subsidiary companies had been placed before the Board for their attention and major transactions and decisions of the subsidiaries, such as inter-corporate loan / investments are effected with prior approval by the Board of Directors of the Company.

The accounts of all the subsidiaries are placed before the Directors of the Company on a quarterly basis and the attention of the Directors is drawn to all significant transactions and arrangements entered into by the subsidiary companies.

## DISCLOSURES

**(a) Related Party Transactions**: During the year under review, besides the transactions reported in Note 42 to Schedule K in the Annual Report, there were no other material related party transactions of the Company with its promoters, Directors or the management or their relatives and subsidiaries and associates. These transactions do not have any potential conflict with the interest of the Company at large. The material related party transactions are placed before the Audit Committee of the Board periodically and placed for Board's information once in a year. Further there are no material individual transactions that are not in normal course of business or not on an arm's length basis.

**(b) Disclosure of Accounting Treatment:** The Company follows Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and / or by the Institute of Chartered Accountants of India in the preparation of financial statements and has not adopted a treatment different from that prescribed in any Accounting Standard.

**(c) Risk Management:** The Risk Management of the Company is overseen by the Senior Management and the Board at various levels:

Business / Strategic Risk: The Board oversees the risks which are inherent in the businesses pursued by the Company. The oversight is through review/ approval of business plans, projects and approvals for business strategy / policy.

Operational Risks: These are being mitigated by internal policies and procedures which are updated from time to time to address updated risks.

Financial Risks: These risks are addressed on an ongoing basis by Treasury, Insurance and Forex Policies and Bullion Risk Management team. Due oversight on financial risks is exercised by the Audit Committee in its meetings.

The Company is actively engaged in assessing and monitoring the risks of each of the businesses and overall for the Company as a whole. The top tier of risks for the Company is captured by the operating management after serious deliberations on the nature of the risk being a gross or a net risk and thereafter in a prioritized manner presented to the Board for their inputs on risk mitigation/management efforts.

The Board engages in the Risk Management process and has set out a review process so as to report to the Board the progress on the initiatives culled out for top few risks of each of the businesses that the Company is into.

The Risk registers of each of the Business gets updated on a bi-annual basis and is placed for due discussions at Board meetings and appropriateness of the mitigation measures to ensure that the risks remain relevant at any point in time and corresponding mitigation measures are optimised.

**(d) Disclosure by Senior Management:** Senior Management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

(e) **CEO / CFO Certification:** The Managing Director (CEO) and General Manager - Finance have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended March 31, 2010, which is annexed hereto.

(f) **Details of Non-Compliance:** There have been no instances of non-compliance on any matter as regards the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

(g) **Whistle Blower Policy**: The Company has a whistle blower mechanism wherein the employees can approach the management of the Company (Audit Committee in case where the concern involves the Senior Management) and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee to promptly report to the management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of the Company. The disclosure reported are addressed in the manner and within the time frames prescribed in the policy. A mechanism is in place whereby any employee of the Company has access to the Chairman of the Audit Committee to report any concerns. Further, the said policy has been disseminated within the organisation and has also been posted on the Company's website. At a recent Meeting of the Company's Ethics Counsellors, it was noted that no complaints on this account had been received and it was agreed to further enhance the awareness of the policy.

(h) **Secretarial Audit:** Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

## REMUNERATION OF DIRECTORS

### MANAGING DIRECTOR

The Company has during the year paid remuneration to its Managing Director by way of salary, perquisites and commission within the limits approved by the Shareholders. The Board of Directors on the recommendation of the Remuneration Committee approves the annual increment (effective April each year). Commission is calculated based on the net profits of the Company in a particular financial year and is determined by the Board of Directors on the recommendation of the Remuneration Committee in the succeeding financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director is based on performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the related financial year.

Details of the remuneration to the Whole-Time Director during 2009-10 are as under:

(in Rs.)

| Name | Salary | Perquisites &Allowances | Commission* |
|---|---|---|---|
| Mr. Bhaskar Bhat, Managing Director | 35,40,000/- | 57,73,394/- | 1,10,00,000/- |

* based on the recommendations of the Remuneration Committee of the Board and after taking into consideration the performance during the Financial Year 2009-10 which is payable in Financial Year 2010-11.

The perquisites indicated above exclude gratuity and leave benefits, as these are determined on an actuarial basis for the Company as a whole. Commission is the only component of remuneration, which is performance linked and the other components are fixed. The Remuneration Committee also recommends to the Board of Directors increase in salary of the Managing Director based on results relating to the Company's financial performance, market performance and few other performance related parameters.

**Titan Industries Limited**

Broad terms of the agreement of re-appointment of the Managing Director are as under:

| | | |
|---|---|---|
| Period of Agreement | : | 5 years from 1st April 2007. |
| Notice period | : | The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof. |
| Severance Fees | : | Nil |

There are no stock options issued to the Managing Director.

**NON-EXECUTIVE DIRECTORS**

The remuneration paid to Non-Executive Directors for the year 2009-10 had been computed pursuant to Sections 198, 309, 349 & 350 of the Companies Act, 1956.

The Commission payable to Non-Executive Directors is as per the approval obtained from the shareholders at the Annual General Meeting held on August 31, 2005 and is within the limits specified under the Companies Act, 1956.

The remuneration by way of Commission to the Non-Executive Directors is decided by the Board of Directors primarily based on attendance at the Meetings of the Board and the Committees thereof.

During the Financial Year 2009-10, the Company has paid sitting fees to Non-Executive Directors detailed below and proposes to pay commission as shown below:-

(in Rs.)

| Name of Director | Commission* | Sitting Fees |
|---|---:|---:|
| Mr. Rajeev Ranjan | 2,64,400/- | 40,000/- |
| Mr. M F Farooqui | 2,64,400/- | 35,000/- |
| Mr. Ishaat Hussain | 13,87,900/- | 2,05,000/- |
| Mr. N N Tata | 6,60,900/- | 95,000/- |
| Mr. S Ramasundaram | 1,98,300/- | 30,000/- |
| Mrs. Anita Praveen | 1,32,200/- | 20,000/- |
| Mr. Sunil Paliwal | 2,64,400/- | 40,000/- |
| Mr. T K Balaji | 12,55,700/- | 1,85,000/- |
| Dr. C G Krishnadas Nair | 15,86,200/- | 2,20,000/- |
| Mr. Nihal Kaviratne | 13,21,900/- | 1,90,000/- |
| Ms. Vinita Bali | 13,21,800/- | 1,90,000/- |
| Mr. V Parthasarathy | 13,87,900/- | 1,97,500/- |
| Mrs. Hema Ravichandar | 7,27,000/- | 97,500/- |
| Mr. R Poornalingam | 7,27,000/- | 1,02,500/- |

* gross amount, subject to tax and payable in Financial Year 2010-11

The Managing Director is not eligible to receive sitting fees as per the terms of appointment and the contract entered into with him.

Sitting fees and Commission payable to the Directors, who are nominees of the co-promoters viz., TIDCO are being paid directly to TIDCO.

Details of shares of the Company held by Non-Executive Directors as on 31st March 2010 are as below:

| Name of Director | Number of Shares |
|---|---|
| Mr. Rajeev Ranjan | NIL |
| Mr. Sunil Paliwal | NIL |
| Mr. N N Tata | 2,345 |
| Mr. V. Parthasarathy | NIL |
| Mr. Ishaat Hussain | 703 |
| Mr. T K Balaji | 28,050 |
| Dr. C G Krishnadas Nair | NIL |
| Mr. Nihal Kaviratne | NIL |
| Ms. Vinita Bali | NIL |
| Mrs. Hema Ravichandar | NIL |
| Mr. R. Poornalingam | NIL |

## MEANS OF COMMUNICATION

| | | |
|---|---|---|
| Half-yearly report sent to each household of shareholders | : | No, the financial results are published in the Newspapers, as required under the Listing Agreements |
| Quarterly Results | : | -do- |
| Website, where results are displayed | : | The results are displayed on www.titan.co.in |
| Whether it also displays official news releases | : | Yes |
| Website for investor complaints | : | Pursuant to the amended listing agreements with the Stock Exchanges, Clause 47(f) has been inserted for an exclusive e-mail ID for redressal of investor grievances. Accordingly, the Company has created an exclusive ID investor@titan.co.in for this purpose. |
| Presentations to institutional investors or analysts | : | Presentations made during the year to institutional investors are displayed in www.titan.co.in |
| Newspapers in which results are normally published | : | The quarterly results were published in The Business Standard, Financial Express, The Mint, Maharashtra Times and Dina Thanthi. However, the audited financial results for the year ended 31st March 2010, were published in Financial Express, Business Standard, Business Line, The Mint, Maharashtra Times and Dina Thanthi. |
| Whether Management Discussion & Analysis is a part of the Annual Report | : | Yes |

## PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS

a) Location, date and time of Annual General Meetings held during the last 3 years:

| Year | Location | Date | Time |
|---|---|---|---|
| 2006-2007 | At the Registered Office of the Company located at 3,SIPCOT Industrial Complex, Hosur 635 126 | 27th July 2007 | 3:30 p.m. |
| 2007-2008 | -do- | 31st July 2008 | 2:30 p.m. |
| 2008-2009 | -do- | 27th July 2009 | 2:30 p.m. |

b) No Extra-Ordinary General Meeting of the shareholders were held during the year.

**Titan Industries Limited**

c) No Postal Ballot was conducted during the financial year 2009-10. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

d) Special Resolutions passed in previous 3 Annual General Meetings:

At the Annual General Meeting held on 27th July 2009, a Special Resolution was passed for the re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2009-10, which was passed unanimously.

At the Annual General Meeting held on 31st July 2008, Special Resolutions were passed for:

1) Delisting the Company's securities (equity shares and debentures) from Madras Stock Exchange; and
2) Re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2008-09.
Both the resolutions were passed unanimously.

At the Annual General Meeting held on 27th July 2007, a Special Resolution was passed for the re-appointment of Statutory Auditors, Deloitte Haskins & Sells for financial year 2007-08, which was passed unanimously.

**GENERAL SHAREHOLDER INFORMATION**

| | | |
|---|---|---|
| AGM: Date, time and venue | : | Tuesday, 27th July 2010, 3:00 p.m. at the Registered Office of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu |
| Financial Year | : | 1st April 2009 to 31st March 2010 |
| Directors seeking appointment / re-appointment | : | As required under Clause 49(IV)(G), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement annexed to the Notice of the Annual General Meeting to be held on 27th July 2010. |
| Book Closure Date | : | 13th July 2010 to 27th July 2010 (both days inclusive) |
| Dividend payment date | : | On or after 27th July 2010 (within the statutory time limit of 30 days) subject to shareholders' approval. |
| Financial Calendar Period (tentative)<br>- Quarter ending 30th Jun 2010<br>- Quarter ending 30th Sep 2010<br>- Quarter ending 31st Dec 2010<br>- Quarter ending 31st Mar 2011 | : | Board Meeting to approve quarterly financial results<br>- 27th July 2010<br>- End October 2010<br>- End January 2011<br>- April / May 2011 |
| Registered Office | : | 3, SIPCOT Industrial Complex,<br>Hosur 635 126, Tamil Nadu |
| Listing of Equity Shares on Stock Exchanges | : | Bombay Stock Exchange Limited, Mumbai<br>National Stock Exchange of India Limited, Mumbai<br>Madras Stock Exchange Limited, Chennai* |
| Listing fees | : | Listing fees as prescribed have been paid to all these Stock Exchanges up to 31st March 2011, except Madras Stock Exchange, as the Company's securities were delisted from that Exchange effective 8th February 2010. |

| | | |
|---|---|---|
| Share Registrar and Transfer Agents | : | **TSR Darashaw Limited**<br>6-10, Haji Moosa Patrawala Industrial Estate,<br>20, Dr E Moses Road, Mahalaxmi, Mumbai – 400 011<br>E-mail:csg-unit@tsrdarashaw.com<br>Website: www.tsrdarashaw.com<br>Tel No: 022-66568484<br>Fax No: 022-66568494 |
| Company Secretary & Contact Address | : | **Mr. A.R. Rajaram,**<br>Golden Enclave, Tower - B, 7th Floor,<br>Airport Road, Bangalore 560 017<br>E-mail: arrajaram@titan.co.in<br>Tel No: 080-66609610<br>Fax No: 080-2526 3001 / 2526 9923 |

*The Company securities were delisted from Madras Stock Exchange with effect from 8th February 2010 pursuant to the application filed by the Company seeking voluntary delisting.

For the convenience of investors based in the following cities, transfer documents and letters will also be accepted at the following branches of Messrs TSR Darashaw Limited:-

**TSR Darashaw Limited**
503, Barton Centre, 5th Floor
84, M.G. Road,
Bangalore – 560 001
Tel: 080-25320321
Fax: 080 – 25580019
Email: tsrdlbang@tsrdarashaw.com

**TSR Darashaw Limited**
Plot No. 2/42, Sant Vihar
Ansari Road, Daryaganj
New Delhi – 110 002
Tel: 011 – 23271805
Fax: 011 – 23271802
Email: tsrdldel@tsrdarashaw.com
Shah Consultancy Services Limited

**c/o. TSR Darashaw Limited**
3-Sumatinath Complex,
Pritam Nagar, Akhada Road,
Opp. Kothawala Flats,
Ellisbridge, Ashram Road,
Ahmedabad - 380 006
Telefax: 079 - 2657 6038,
Email: shahconsultancy8154@gmail.com

**TSR Darashaw Limited**
Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata – 700 071
Tel: 033 - 22883087
Fax: 033 - 22883062
Email: tsrdlcal@tsrdarashaw.com

**TSR Darashaw Limited**
Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur – 831 001
Tel: 0657 – 2426616
Fax: 0657 – 2426937
Email: tsrdljsr@tsrdarashaw.com

## SHARE TRANSFER SYSTEM

Transfer of shares in physical form has been delegated by the Board to certain officials of the Registrars, to facilitate speedy service to the shareholders. Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agents within 20 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed, if found in order and confirmation is given to the respective depositories i.e. National Securities Depository Ltd (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

**Titan Industries Limited**

## INVESTOR SERVICES

**Number of complaints from shareholders during the year ended March 31, 2010**

| | |
|---|---|
| Complaints outstanding as on 1st April 2009 | 1 |
| Complaints received during the year ended 31st March 2010 | 17 |
| Complaints resolved during the year ended 31st March 2010 | 17 |
| Complaints pending as on 31st March 2010 | 1 |

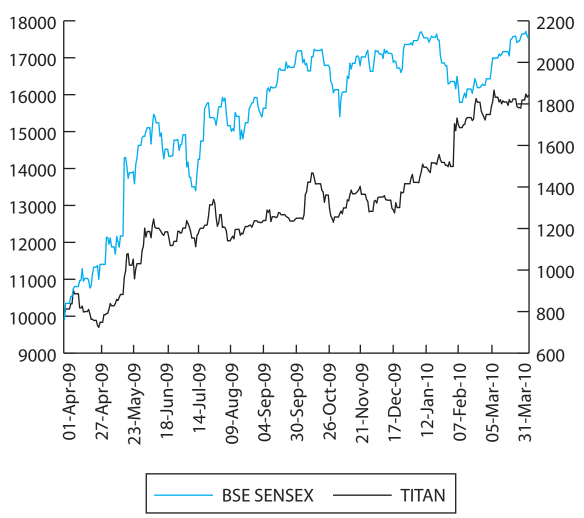
The complaint related to revalidation of dividend warrant of a shareholder and consequent change of address which had not been recorded by the Registrars. The Shareholder has subsequently complied with the necessary documentary formalities and the revalidated dividend warrant has since been despatched to the shareholder.

## STOCK PERFORMANCE

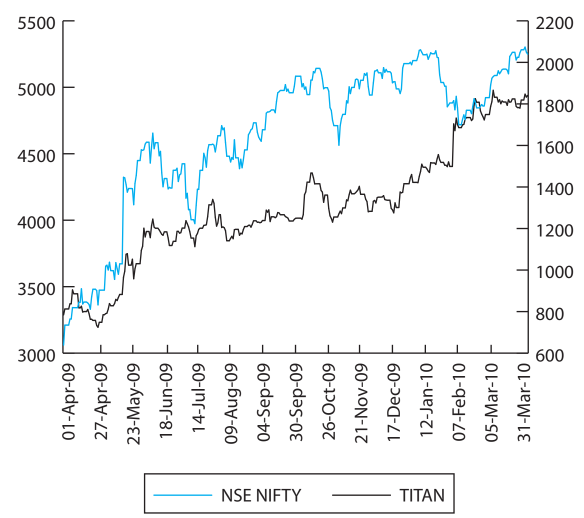
**Market Price Data - Bombay Stock Exchange Ltd**

| Month | Bombay Stock Exchange (in Rs.) | | BSE Sensex |
|---|---|---|---|
| | High | Low | |
| April 2009 | 904.60 | 724.25 | 11,403.25 |
| May 2009 | 1,078.95 | 790.05 | 14,625.25 |
| June 2009 | 1,245.45 | 1,118.15 | 14,493.84 |
| July 2009 | 1,340.05 | 1,112.65 | 15,670.31 |
| August 2009 | 1,237.00 | 1,141.00 | 15,666.64 |
| September 2009 | 1,289.75 | 1,227.85 | 17,126.84 |
| October 2009 | 1,467.25 | 1,230.60 | 16,135.87 |
| November 2009 | 1,402.95 | 1,270.80 | 16,926.22 |
| December 2009 | 1,460.15 | 1,275.15 | 17,464.81 |
| January 2010 | 1,556.05 | 1,420.75 | 16,357.96 |
| February 2010 | 1,825.35 | 1,671.35 | 16,429.55 |
| March 2010 | 1,865.65 | 1,779.75 | 17,527.77 |

**Performance of Titan Share Price in comparison with BSE Sensex**




**Performance of Titan Share Price in comparison with NSE Nifty**



**Market Price Data - National Stock Exchange of India Ltd**

| Month | National Stock Exchange of India Ltd (in Rs.) | | NSE Nifty |
|---|---|---|---|
| | High | Low | |
| April 2009 | 904.15 | 725.45 | 3,473.95 |
| May 2009 | 1,077.60 | 789.80 | 4,448.95 |
| June 2009 | 1,244.10 | 1,109.80 | 4,291.10 |
| July 2009 | 1,336.45 | 1,112.45 | 4,635.45 |
| August 2009 | 1,250.75 | 1,144.50 | 4,662.10 |
| September 2009 | 1,291.30 | 1,226.95 | 5,083.95 |
| October 2009 | 1,468.00 | 1,229.40 | 4,711.70 |
| November 2009 | 1,400.85 | 1,269.80 | 5,032.70 |
| December 2009 | 1,458.10 | 1,277.50 | 5,201.05 |
| January 2010 | 1,555.55 | 1,421.50 | 4,882.05 |
| February 2010 | 1,825.65 | 1,670.25 | 4,922.30 |
| March 2010 | 1,872.60 | 1,775.35 | 5,249.10 |

**DISTRIBUTION OF SHARES ACCORDING TO SIZE, CLASS AND CATEGORIES OF SHAREHOLDERS AS ON 31ST MARCH 2010**

| No. of Equity Shares Held | No. of Shareholders | Percentage | No. of Shares | Percentage |
|---|---|---|---|---|
| 1-500 | 46,664 | 96.69 | 3,949,831 | 8.90 |
| 501-2000 | 1,207 | 2.50 | 1,022,596 | 2.30 |
| 2001-3000 | 101 | 0.21 | 255,149 | 0.58 |
| 3001-4000 | 41 | 0.08 | 142,128 | 0.32 |
| 4001-5000 | 38 | 0.08 | 175,008 | 0.39 |
| 5001-10000 | 62 | 0.13 | 480,762 | 1.08 |
| 10001 and above | 151 | 0.31 | 38,363,834 | 86.43 |
| **TOTAL** | **48,264** | **100.00** | **44,389,308** | **100.00** |

**CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH 2010**

| Category | No. of Share holders | No. of Shares Held | % of Shareholding |
|---|---|---|---|
| Tamil Nadu Industrial Development Corporation Ltd. | 1 | 12,373,836 | 27.88 |
| Tata Group Companies | 18 | 11,205,529 | 25.24 |
| FFI / FIIs / OCBs | 82 | 4,807,059 | 10.83 |
| Bodies Corporate | 684 | 1,217,834 | 2.74 |
| Unit Trust of India | 1 | 2,456 | 0.01 |
| Mutual Funds | 48 | 3,807,091 | 8.58 |
| Nationalised Banks | 7 | 7,120 | 0.01 |
| Others | 47,423 | 10,968,383 | 24.71 |
| **Total** | **48,264** | **44,389,308** | **100.00** |

**Titan Industries Limited**

## TOP TEN SHAREHOLDERS:

**The Company's top ten shareholders as at 31st March 2010 are as shown below:**

| Sl. No. | Name | Holdings | % to total holding |
|---|---|---|---|
| 1 | Tamilnadu Industrial Development Corporation Ltd | 12,373,836 | 27.88 |
| 2 | Tata Sons Ltd | 4,748,218 | 10.70 |
| 3 | Kalimati Investment Company Ltd | 3,877,792 | 8.74 |
| 4 | Jhunjhunwala Rakesh Radheshyam | 2,787,755 | 6.28 |
| 5 | HDFC Trustee Company Limited - HDFC Equity Fund. | 1,077,714 | 2.43 |
| 6 | Jhunjhunwala Rekha Rakesh | 1,038,306 | 2.34 |
| 7 | Matthews Pacific Tiger Fund | 989,621 | 2.23 |
| 8 | Tata Investment Corporation Ltd | 861,282 | 1.94 |
| 9 | HDFC Trustee Company Limited - HDFC Top 200 Fund | 786,592 | 1.77 |
| 10 | FID Funds (Mauritius) Limited | 751,564 | 1.69 |

## STOCK CODE

| | | | | |
|---|---|---|---|---|
| Equity Shares - physical form | - | Bombay Stock Exchange Ltd | : | 500114 |
| | - | National Stock Exchange of India Ltd | : | TITAN |
| Equity Shares - demat form | - | NSDL / CDSL | : | ISIN No. INE280A01010 |
| Non-Convertible Debentures | - | Demat form - NSDL /CDSL | : | ISIN No.INE280A07025 |

The Aggregate Non-promoter / Public Shareholding of the Company as at March 31, 2010 is as shown below:

Number of Shares : 20,809,943

Percentage to total holding : 46.88%

## DEMATERIALISATION OF SHARES AND LIQUIDITY

As on 31st March 2010, 95.88% of the Company's Equity Capital was held in dematerialised form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialised form with effect from 15.02.1999 as per the notification issued by the Securities and Exchange Board of India (SEBI).

Outstanding GDRs / ADRs / Warrants or any Convertible Instruments: None

Stock option scheme : None

## PLANT LOCATIONS

Watch Plants
(a) Plot Nos. 3, 4 & 5 SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
(b) Mohabewala Industrial Area, Dehradun 248 002, Uttaranchal
  (i) Unit 1-Khasra Nos. 148D, 173B, 176A and 176B
  (ii) Unit 2-Khasra Nos. 148B, 149B
(c) Plot No.59, EPIP, Jharmajary Phase I, Solen District, Baddi 173 205 Himachal Pradesh
(d) Plot No. C1,C2,C3, Khasra No.37, Village Bantakheri, Tehsil - Roorkee, District - Haridwar, Uttaranchal
(e) Plot No. 10B, Khasra Nos. 150, 151, 152, 153 Sector 2, Integrated Industrial Estate, SIDCUL, Pant Nagar 263 153, Udham Singh Nagar District, Uttarkhand

Precision Engineering Plants:
(a) No.15 B, Bommasandra Industrial Area, Hosur Road, Anekal Taluk, Bangalore 562 158, Karnataka
(b) Plot Nos. 27 & 28, SIPCOT Industrial Area, Hosur 635 126, Tamil Nadu

Jewellery and Clock Plants :
(a) 29, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
(b) Khasra No.238, Kuanwala Dehradun 248 001, Uttaranchal

Prescription Eyewear Lens Laboratory: Plot No. 27, Survey No.125, KIADB Industrial Area, Chikaballapur 562 101 Karnataka

## ADDRESSES FOR CORRESPONDENCE

Registered Office : 3, SIPCOT Industrial Complex, Hosur 635 126, Tamil Nadu
Corporate Office : Golden Enclave, Tower A, HAL Airport Road, Bangalore 560 017, Karnataka

## A. NON-MANDATORY REQUIREMENTS

The status of compliance in respect of Non-Mandatory requirements under Clause 49 :-

1. **The Board** – No separate office is maintained for Non-Executive Chairman. Further, all expenses incurred in performance of duties by the Non-Executive Chairman are reimbursed.

   Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of the Company. None of the independent Directors on our Board have served for a tenure exceeding nine years from the date when the new Clause 49 became effective.

2. **Remuneration Committee** – The Company has constituted a Remuneration Committee to recommend appointment / re-appointment of Managing Director and Whole-Time Directors and to recommend / review remuneration of the Managing Director, Whole-Time Directors and Non-Executive Directors.

   The Remuneration Committee comprises of three Non-Executive Directors and the Chairman of the Committee is an independent Director. All the members of the Remuneration Committee were present at the Meeting held on April 29, 2009. The Chairman of the Remuneration Committee was present at the last Annual General Meeting.

3. **Shareholders Communications** – The Company displays its quarterly (unaudited), half- yearly (unaudited) and annual (audited) results on its website at www.titan.co.in which is accessible to all. The results are also published in an English newspaper having a wide circulation and in Tamil and Marathi newspapers having a wide circulation in Tamilnadu and Maharashtra respectively.

4. **Whistle Blower Policy** – Details are given under the heading "Disclosures".

5. **Audit Qualifications –** During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

6. **Training of Board Members –** The Company's Board of Directors consists of professionals with expertise in their respective fields and industry. They endeavor to keep themselves updated with changes in global economy & legislation. They attend various workshops and seminars to keep themselves abreast with the changing business environment.

7. **Mechanism for evaluating Non-Executive Board Members** – The Company has not yet adopted a policy for evaluation of Non-Executive Board members. Commission is distributed amongst the Non-Executive Board members currently based on attendance, this may be reviewed by the Board in future.

## CERTIFICATE

**To the Members of TITAN INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Titan Industries Limited, for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**.
Chartered Accountants
(Registration No. 008072S)

**B. Ramaratnam**
Partner
(Membership No. 21209)

Place: Chennai
Date: 21st June 2010

**Titan Industries Limited**

# Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification as per Clause 49(V) of the Listing Agreement

April 30, 2010

The Board of Directors,
Titan Industries Limited
3, SIPCOT Industrial Complex,
Hosur 635 126

## CERTIFICATION TO THE BOARD PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT

We, Bhaskar Bhat, Managing Director and S.Rajarathnam, General Manager - Finance, hereby certify that in respect of the Financial Year ended on March 31, 2010

1. we have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief :-
   a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;
3. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal control, if any, of which we are aware and the steps taken or proposed to be taken to rectify the same;
4. we have indicated to the auditors and the Audit Committee : -
   a) significant changes, if any, in internal control over financial reporting during the year;
   b) significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
   c) instances of significant fraud, if any, wherein there has been involvement of management or an employee having a significant role in the Company's internal control system over financial reporting.

**BHASKAR BHAT**
Managing Director

**S RAJARATHNAM**
General Manager - Finance

## DECLARATION BY THE CEO UNDER CLAUSE 49 I (D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with Clause 49 sub-clause I (D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for the Financial Year ended March 31, 2010.

**BHASKAR BHAT**
Managing Director

June 7, 2010

# Shareholders' Information

## AT A GLANCE

- Number of equity shareholders – 48,264
- Number of equity shares held – 44,389,308
- Stock exchanges in which the equity shares are listed:

  Bombay Stock Exchange Limited (**BSE**).

  National Stock Exchange of India Limited (**NSE**).
- 95.88% of the company's equity capital is held in dematerialised form with National Securities Depository Limited (**NSDL**) and Central Depository Services (India) Limited (**CDSL**).
- TSR Darashaw Limited is the Share Registrar and Transfer Agent (**RTA**) of the Company.
- Non Promoter/Public Shareholding as on 31st March 2010 is 20,809,943 equity shares representing 46.88% of the company's equity capital.

**Investor Grievances handling Mechanism**

Investor service matters are being handled by TSR Darashaw Limited. They have branches across the country and discharge investor service functions efficiently, effectively and expeditiously. The Company has an established mechanism for investor service and grievance handling, with TSR Darashaw Limited.

## SUGGESTIONS TO SHAREHOLDERS AND FREQUENTLY ASKED QUESTIONS

**Open Demat Account and dematerialise your shares**

In the best interest of the investors it is suggested to convert their physical holdings of shares into demat holdings. Holding shares in demat form helps investors to avail corporate benefits as discussed below.

## DEMATERIALISATION OF SHARES

Trading in the shares of the Company is compulsory in dematerialised form for all investors. The Company has, therefore, enlisted its shares with both the depositories, viz, NSDL and CDSL. This means that you have now the option to hold and trade in the shares of the Company in electronic form.

**What Is Dematerialisation of shares?**

Dematerialisation is a process by which the physical share certificates of an investor are taken back by the Company and an equivalent number of securities are credited in electronic form at the request of the investor. An investor will have to first open an account with a Depository Participant and then request for the dematerialisation of his share certificates through the Depository Participant so that the dematerialised holdings can be credited into that account. This is very similar to opening a Bank Account.

**What is a Depository?**

A depository is an organisation which holds securities (like shares, debentures, bonds, government securities, mutual fund units etc.) of investors in electronic form at the request of the investors through a registered Depository Participant. It also provides services related to transactions in securities.

**How many Depositories are registered with SEBI?**

At present two Depositories, namely NSDL and CDSL are registered with SEBI.

**Is a depository similar to a bank?**

It can be compared with a bank, which holds the funds for depositors. A Bank – Depository analogy is given in the following table:

| BANK | DEPOSITORY |
|---|---|
| Holds funds in an account | Holds securities in an account |
| Transfers funds between accounts on the instruction of the account holder | Transfers securities between accounts on the instruction of the Beneficial Owner(BO)/the account holder |
| Facilitates transfer without having to handle money | Facilitates transfer of ownership without having to handle securities |
| Facilitates safekeeping of money | Facilitates safekeeping of securities |

**Titan Industries Limited**

**Who is a Depository Participant?**

A Depository Participant (DP) is an agent of the depository through which it interfaces with the investor and provides depository services. Public financial institutions, scheduled commercial banks, foreign banks operating in India with the approval of the Reserve Bank of India, state financial corporations, custodians, stock-brokers, clearing corporations /clearing houses, NBFCs and Registrar to an Issue or RTA complying with the requirements prescribed by SEBI can be registered as DP. Banking services can be availed through a branch whereas depository services can be availed through a DP.

**Is it compulsory for every investor to open a beneficial owner (BO) account to trade in the capital market?**

In view of the convenience of trading in dematerialised mode, it is advisable to have a beneficial owner (BO) account for trading at the exchanges.

**Benefits of Demat**

- Reduces risks involved in holding physical certificates, e.g., loss, theft, mutilation, forgery, etc.
- Ensures transfer settlements and reduces delay in registration of shares.
- Ensures faster communication to investors.
- No stamp duty is paid on transfer of shares.
- Provides more acceptability and liquidity of securities.
- Faster settlement cycles and payouts.
- Postal delays and loss of shares in transit is prevented.
- Periodic status reports and information available on internet.
- Easy portfolio monitoring.

**What is the procedure to dematerialise the shares?**

- Open an account with a Depository Participant (DP) of your choice by filling up an Account Opening Form.
- Fill up and submit a Dematerialisation Request Form (DRF) provided by the DP duly signed by all the holders and surrender the physical shares intended to be dematted to the DP. The DP upon receipt of the shares and the DRF will issue you an acknowledgement and will send an electronic request to the Company/ Share Registrar and Transfer Agents (RTA) of the Company through the Depository for confirmation of demat.
- The DP will simultaneously surrender the DRF and the shares to the Company / Share Registrar and Transfer Agents (RTA) of the Company with a covering letter requesting the Company to confirm demat.
- The RTA of the Company, after necessary verification of the documents received from the DP, will cancel the physical shares and confirm demat to the Depository.
- This confirmation will be passed on by the Depository to the DP which holds your account. After receiving this confirmation from the Depository, the DP will credit your account with the number of shares dematerialised.
- The DP will hold the shares in the dematerialised form thereafter on your behalf. And you will become the beneficial owner of these dematerialised shares.

**Can odd lots be dematerialised?**

Yes, odd lot share certificates can also be dematerialised.

**Why should an investor give his bank account details at the time of BO account opening?**

Bank account details are necessary for the protection of interest of investors. When any cash or non cash corporate benefits such as rights or bonus or dividend is announced for a particular scrip, depositories provide to the concerned issuer /it's RTA, the details of the investors, their electronic holdings as on record / book closure date for reckoning the entitlement of corporate benefit.

The disbursement of cash benefits such as dividend is credited directly by the Issuer/it's RTA to the beneficiary owner through the ECS (Electronic Clearing Service wherever available) facility or by issuing warrants on which bank account details are printed for places where ECS facility is not available. The bank account number is mentioned on the dividend and warrant to avoid any fraudulent misuse. The bank account details will be those which are mentioned in account opening form or modified details that had been intimated subsequently by the investor to the DP.

**Can multiple accounts be opened?**

Yes. An investor can open more than one account in the same name with the same DP and also with different DPs. For all the accounts, investor has to strictly comply with KYC norms including Proof of Identity, Proof of Address requirements as stipulated by SEBI and also provide PAN number. The investor has to show the original PAN card at the time of opening of demat account.

**Does the investor have to keep any minimum balance of securities in his account?**

No.

**Can investor close his demat account with one DP and transfer all securities to another account with another DP?**

Yes. The investor can submit account closure request to his DP in the prescribed form. The DP will transfer all the securities lying in the account, as per the instruction, and close the demat account.

**Do dematerialised shares have distinctive numbers?**

Dematerialised shares do not have any distinctive numbers. These shares are fungible, which means that all the holdings of a particular security will be identical and interchangeable

**REMATERIALISATION OF SHARES**

**Can electronic holdings be converted back into physical certificates?**

Yes. The process is called rematerialisation. If one wishes to get back his securities in the physical form he has to fill in the RRF (Remat Request Form) and request his DP for rematerialisation of the balances in his securities account.

**What is the procedure to rematerialise the shares?**

- Shareholders should submit duly filled in rematerialisation request form (RPF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to the company's RTA.
- Depository confirms rematerialisation request to the company's RTA.
- The company's RTA updates accounts and prints certificate(s) and informs the depository.
- Depository updates the beneficiary account of the shareholder by deleting the shares so rematerialised. Share certificate(s) is/are despatched to the shareholder.

**How does one know that the DP has updated the account after each transaction?**

The DP provides a Transaction Statement periodically, which gives details of current balances and various transactions made through the depository account. If desired, DP may provide the Transaction Statement at intervals shorter than the stipulated ones, probably at a cost.

**At what frequency will the investor receive his Transaction Statement from his DP?**

DPs have to provide transaction statements to their clients once in a month, if there is any transaction and if there is no transaction, then once in a quarter. DPs also provide transaction statement in electronic form under digital signature subject to their entering into a legally enforceable arrangement with the BOs to this effect.

**What is ISIN?**

ISIN (International Securities Identification Number) is a unique 12 digit alpha-numeric identification number allotted for a security (E.g. - INE383C01018). Equity-fully paid up, equity-partly paid up, equity with differential voting /dividend rights issued by the same issuer will have different ISINs.

**NOMINATION FACILITY**

**What is nomination Facility?**

Section 109A of the Companies Act, 1956 provides the facility of nomination to shareholders. This facility is useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders

**Titan Industries Limited**

**How to appoint a nominee?**

Investors, who are holding shares in single name, are advised to avail of the nomination facility with the SRTA. However if the shares are held in demat form, nomination facility has to be registered with the concerned DP directly, as per the format prescribed by the DP.

**Who can appoint nominee?**

Individuals holding shares in single name or joint names can appoint the nominee. In case of joint shareholding, joint holders together have to appoint the nominee. Non-individuals including society, trust, body corporate, karta of Hindu Undivided Family, holder of power of attorney cannot nominate.

**Who can be appointed as a nominee & who cannot be appointed as a nominee?**

Individual can be appointed as a nominee. Minor can be appointed as a nominee. A Trust, Society, body corporate, partnership firm Karta of a HUF or a power of attorney holder cannot be nominees.

**Can joint shareholders deemed to be nominee(s) to the shares?**

Joint shareholders are not deemed to be the nominee(s).However joint shareholders may, together appoint a nominee. In the event of death of any one of the joint holders, surviving joint holder/s of shares is/are the only person(s) recognized under the law as holder(s) of the shares.

**Rights of the nominee**

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In the event of death of a shareholder, all the rights of the shareholder shall vest with the nominee. In case of joint shareholding, all the rights shall vest with the nominee only in the event of death of all the joint shareholders.

**Consolidate multiple portfolios**

It is suggested that all the investors to consolidate their shareholding held in multiple portfolios. It would facilitate reduction of time and efforts to monitor multiple portfolios. It also avoids multiple tracking of corporate benefits.

**DIVIDENDS**

**Payment of dividend:**

The dividend is paid in two modes. They are:

(1) National Electronic Clearing Service (**NECS**).

(2) Physical dispatch of Dividend Warrant

**What is National Electronic Clearing Service Facility?**

NECS facility is centralized version of ECS facility. NECS was introduced for centralized processing of repetitive and bulk payment instructions. The service aims to centralise the Electronic Clearing Service (**ECS**) operation and bring in uniformity and efficiency to the system. The system takes advantage of the centralized accounting system in banks. NECS credit would facilitate multiple credits to beneficiary accounts destination branch at participating centre against a single debit of the account of a user with the sponsor bank. NECS debit would facilitate multiple debits to destination account holders against single credit to user account. The branches participating in NECS can be located anywhere in the country.

As per directive from Securities and Exchange Board of India (**SEBI**), the Company has been using the Electronic Clearing Service of the Reserve Bank of India (**RBI**) at designated locations, for payment of dividend to shareholders holding shares in dematerialised form. The service was extended by the Company also to shareholders holding shares in physical form, who chose to avail of the same. In this system, the investor's bank account is directly credited with the dividend amount.

As per RBI's notification, with effect from 1st October 2009, the remittance of money through ECS has been replaced by NECS. NECS operates on the new and unique bank account number allotted by banks post implementation of the Core Banking Solutions (**CBS**). Pursuant to implementation of CBS, your bank account number may have undergone a change, which is required to be communicated by you to your Depository Participant (in case of shareholders holding shares in dematerialised form) or to the Company's Share Transfer Agent (in case of shareholders holding shares in physical form), in which case the communication may be made in the Mandate Form which had been mailed to the shareholders.

Shareholders holding shares in physical form who have not yet opted for the ECS Mandate Facility, are urged to avail of the NECS Mandate Facility as this not only protects a shareholder against fraudulent interception and encashment of dividend warrants but also eliminates dependence on the postal system, loss / damage of dividend warrants in transit and correspondence relating to revalidation / issue of duplicate dividend warrants.

Kindly ensure that the above instructions are under your signature (which should be as per specimen registered with the Depository Participant / Company) and are communicated before commencement of the book closure date, to facilitate receipt of dividend. Please note that if your new bank account number is not informed as aforesaid, payment of your dividend to your old bank account number may either be rejected or returned. Shareholders are requested to refer to the NECS Mandate Form mailed to them by the Company.

**Benefits of NECS Facility**

- The shareholder need not visit his bank for depositing the paper instruments which he would have otherwise received had he not opted for ECS Credit.
- The shareholder need not be apprehensive of loss/theft of physical instruments or the likelihood of fraudulent encashment thereof.
- Cost effective.
- Prompt credit to bank account of the shareholder through electronic clearing.

**How to avail NECS Facility?**

Investors holding shares in physical form can send the NECS Mandate form, duly filled in, to the Company's RTA. However, if shares are held in dematerialised form, NECS mandate form has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP. It is to be noted that NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions. Shareholders are requested to provide the new Bank Account Number allotted by the banks post implementation of CBS, along with a copy of cheque relating to the concerned account, to the SRTA of the Company in case you hold shares in physical form and to the concerned depository participant in case you hold shares in demat form.

**Unpaid dividend**

Members may please note that pursuant to Section 205C of the Companies (Amendment) Act, 1999, the dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company will be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims. Periodic intimation in this regard is sent to the concerned shareholders. Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to the Investor Education and Protection Fund.

| Financial Year | Date of declaration of Dividend | Due Date of transfer to IEPF |
|---|---|---|
| 2002-03 | September 12, 2003 | September 20, 2010 |
| 2003-04 | August 31, 2004 | September 6, 2011 |
| 2004-05 | August 31, 2005 | September 6, 2012 |
| 2005-06 | August 21, 2006 | August 25, 2013 |
| 2006-07 | July 27, 2007 | August 2, 2014 |
| 2007-08 | July 31, 2008 | August 6, 2015 |
| 2008-09 | July 27, 2009 | August 3, 2016 |

**Titan Industries Limited**

# AUDITORS' REPORT

**TO THE MEMBERS OF TITAN INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of TITAN INDUSTRIES LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;

   e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of written representations received from the directors as on 31st March 2010 taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956.

**For Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

B. Ramaratnam
Partner
(Membership No. 21209)

Mumbai, April 30, 2010

# ANNEXURE TO THE AUDITORS' REPORT

**(Referred to in paragraph 3 of our report of even date)**

i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Most of the fixed assets have been physically verified by the management. As explained to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) During the year, in our opinion, the Company has not disposed off a substantial part of the fixed assets.

ii) (a) In our opinion, inventories have been physically verified during the year by the management at reasonable intervals. In the case of stocks lying with third parties, certificates confirming stocks have been received in respect of substantial portion of the stocks held.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and on the basis of our examination of the records of inventory, the Company has maintained proper records of inventory. Discrepencies noticed on physical verification of inventories as compared to the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.

iii) According to the information and explanations given to us with regard to loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, we report as follows:

(a) During the year, the Company has not granted loans to any such parties. The maximum amount involved at any time during the year and the year end balance of the loans granted in earlier years was Rs. 3,591.06 lakhs. The balance has been fully provided as no recoveries are expected.

(b) The Company had taken intercorporate deposits from two companies in earlier years. The maximum amount involved in such transactions at any time during the year and the year end balance of intercorporate deposits taken from such parties was Rs. 865.00 lakhs and Rs. Nil respectively.

(c) In our opinion, the rate of interest and other terms and conditions of such intercorporate deposits are not prima facie prejudicial to the interest of the Company.

(d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the repayment of interest.

iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature for which comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses, if any, in the internal control system.

v) In respect of the contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in section 301 that needed to be entered in the register maintained under the said Section have been so entered.

(b) Where each of such transactions (excluding loans reported under paragraph (iii) above) is in excess of Rs.5 lakhs in respect of any party and having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A, 58AA

**Titan Industries Limited**

and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. We are informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal in this regard.

vii) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.

viii) We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 relating to the manufacture of watches and clocks and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of the Company's other products.

ix) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Wealth tax, Service tax, Customs duty, Excise duty, cess and other material statutory dues, if any, applicable to it with the appropriate authorities. As at the last day of the financial year, there are no arrears of such undisputed statutory dues outstanding for a period of more than six months from the date they became payable.

(b) According to the records of the Company and the information and explanations given to us, details of Income tax, Sales tax, Service tax, Customs duty, Wealth tax, Excise duty and cess which have not been deposited/ been deposited partially, as on 31st March, 2010 on account of any dispute are given below:

| Name of Statute | Nature of the Dues | Amount (Rs. in lakhs) | Period to which the amount relates | Forum where Dispute is pending |
|---|---|---|---|---|
| Income-tax Act, 1961 | Income tax | 2.39 | 1997-98 | Hon'ble Bombay High Court |
| | | 25.21 | 2002-03 | Income Tax Appellate Tribunal |
| | | 180.04 | 2005-06 | Dispute Resolution Panel |
| | | 7.12 | 2003-04 | Commissioner of Income Tax (Appeals) |
| Sales Tax Laws | Sales tax | 0.24 | 2003-04 | Commercial Taxes Appellate & Revisional Board |
| | | 14.38 | 2003-05 | Deputy Commissioner (Appeals) |
| | | 7.45 | 2006-08 | Joint Commissioner |
| | | 2.74 | 2008-09 | Additional Commissioner |
| | | 210.11 | 2004-06 | Deputy Commissioner |
| | | 40.03 | 1997-98, 2002-05 | Assistant Commissioner |
| The Customs Act, 1962 | Customs duty | 316.94 | 1989-94 | Supreme Court |
| The Central Excise Act, 1944 | Excise duty | 2,272.59 | May 2005 to March 2009 | Supreme Court |
| | | 470.69 | March 1987- February 1990, April 1995 to Oct 1998 and 2001-07 | Customs, Excise and Service Tax Appellate Tribunal |
| | | 574.28 | 1996-00, 2002-04, 2006-09 | Commissioner (Appeals) |
| | | 9.84 | July 1999 – November 1999, 2004 | Assistant Commissioner |

x) The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses during the current financial year and in the immediately preceding financial year.

xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and debenture holders. There are no borrowings from financial institutions and therefore, reporting on the same does not arise.

xii) The Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.

xiii) The provisions of special statute applicable to chit fund and nidhi/mutual benefit fund/society are not applicable to the Company.

xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.

xv) The Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the term loan was applied for the purpose for which it was obtained.

xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have prima facie, not been used during the year for long term investment.

xviii) The Company has not made any preferential allotment of shares during the year.

xix) As per the information and explanations given to us, the Company has created security in respect of debentures issued.

xx) The Company has not raised any money by way of public issue during the year.

xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

B. Ramaratnam
Partner
(Membership No. 21209)

Mumbai, April 30, 2010

**Titan Industries Limited**

# Balance Sheet as at 31 March 2010

Rupees in lakhs

| | Schedule | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Shareholders' funds | | | | |
| Share capital | A | **4438.93** | | 4438.93 |
| Reserves and surplus | B | **67999.40** | | 50685.42 |
| | | | **72438.33** | 55124.35 |
| Loan funds | | | | |
| Secured loans | C | **7279.04** | | 11675.51 |
| Unsecured loans | D | **-** | | 5865.00 |
| | | | **7279.04** | 17540.51 |
| Deferred tax liability (Net) | | | **475.49** | 1817.80 |
| Total | | | **80192.86** | 74482.66 |
| **APPLICATION OF FUNDS** | | | | |
| Fixed assets | E | | | |
| Gross block, at cost | | **62432.67** | | 59303.80 |
| Less : Depreciation | | **36169.59** | | 31855.95 |
| Net block | | **26263.08** | | 27447.85 |
| Advances on capital account and capital work in progress, at cost | | **1228.67** | | 1952.49 |
| | | | **27491.75** | 29400.34 |
| Investments | F | | **762.89** | 766.44 |
| Current assets, loans and advances | G | | | |
| Inventories | | **134033.15** | | 120269.17 |
| Sundry debtors | | **9360.76** | | 10622.16 |
| Cash and bank balances | | **18671.84** | | 5469.10 |
| Loans and advances | | **18305.54** | | 11412.90 |
| | | **180371.29** | | 147773.33 |
| Less : | | | | |
| Current liabilities and provisions | H | | | |
| Current liabilities | | **114958.97** | | 94112.98 |
| Provisions | | **13474.10** | | 9344.47 |
| | | **128433.07** | | 103457.45 |
| Net current assets | | | **51938.22** | 44315.88 |
| Total | | | **80192.86** | 74482.66 |
| Notes | K | | | |

The Schedules referred to above form an integral part of the Balance Sheet

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

# Profit and Loss Account for the year ended 31 March 2010

Rupees in lakhs

| | Schedule | Current Year | | Previous Year |
|---|---|---|---|---|
| **INCOME** | | | | |
| Sales | | | **470312.30** | 384771.61 |
| Less : Excise Duty | | | **2870.13** | 4434.04 |
| Net Sales Income | | | **467442.17** | 380337.57 |
| Other income | I | | **1185.85** | 526.05 |
| Total | | | **468628.02** | 380863.62 |
| **EXPENDITURE** | | | | |
| Operating and other expenses | J | | **427946.43** | 350688.55 |
| Depreciation / Amortisation | | | **6008.01** | 4176.06 |
| Interest | | | **2541.88** | 2943.39 |
| Total | | | **436496.32** | 357808.00 |
| **PROFIT BEFORE TAXES** | | | **32131.70** | 23055.62 |
| Income taxes - Current | | **8150.00** | | 6300.00 |
| - Deferred | | **(1342.31)** | | (653.37) |
| - Fringe Benefit Tax | | **-** | | 421.00 |
| | | | **6807.69** | 6067.63 |
| **PROFIT AFTER TAXES** | | | **25324.01** | 16987.99 |
| Less : Income tax of earlier years | | | **291.65** | 1091.64 |
| **NET PROFIT** | | | **25032.36** | 15896.35 |
| Profit brought forward | | | **21102.53** | 21854.51 |
| Amount available for appropriation | | | **46134.89** | 37750.86 |
| Appropriations | | | | |
| Transfer to debenture redemption reserve | | **528.00** | | 528.00 |
| Proposed dividend on equity shares | | **6658.40** | | 4438.93 |
| Tax on dividends | | **1105.88** | | 754.40 |
| Transfer to general reserve | | **10551.00** | | 10927.00 |
| | | | **18843.28** | 16648.33 |
| Balance carried to balance sheet | | | **27291.61** | 21102.53 |
| Earnings per share of Rs.10 each - Basic and diluted (Rs.) | | | **56.39** | 35.81 |
| Notes | K | | | |

The Schedules referred to above form an integral part of the Profit and Loss Account

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

**Titan Industries Limited**

# Cash flow statement for the year ended 31 March 2010

| | | Current Year | Previous Year |
|---|---|---|---|
| | | Rupees in lakhs | |
| **A.** | **Cash flow from operating activities** | | |
| | Net profit before tax | **32131.70** | 23055.62 |
| | Adjustments for : | | |
| | - Depreciation / Amortisation | **6008.01** | 4176.06 |
| | - Unrealised exchange difference (net) | **(445.72)** | (48.96) |
| | - Marked to Market loss | **238.53** | 89.05 |
| | - Loss on sale/ disposal/ scrapping of fixed assets (net) | **324.15** | 1114.83 |
| | - Loss/ (gain) on sale of investments | **(7.97)** | 2.11 |
| | - Provision for doubtful debts/ advances | **64.05** | 41.00 |
| | - Interest income | **(1062.62)** | (393.51) |
| | - Dividend income | **-** | (0.04) |
| | - Interest expense | **2541.88** | 2943.39 |
| | Operating profit before working capital changes | **39792.01** | 30979.55 |
| | Adjustments for : | | |
| | - (Increase)/Decrease in sundry debtors | **1170.68** | (953.87) |
| | - (Increase)/Decrease in inventories | **(13763.98)** | (18160.12) |
| | - (Increase)/Decrease in loans and advances | **(1905.59)** | (3140.58) |
| | - Increase/(Decrease) in current liabilities and provisions | **22302.16** | 13162.87 |
| | Cash generated from operations | **47595.28** | 21887.85 |
| | - Direct taxes paid | **(13404.79)** | (5926.97) |
| | Net cash from/(used in) operating activities | **34190.49** | 15960.88 |
| **B.** | **Cash flow from investing activities** | | |
| | Additions to fixed assets(including capital work in progress and advances on capital account) | **(4415.84)** | (6809.26) |
| | Proceeds from sale of fixed assets | **187.49** | 245.17 |
| | Purchase of investments- subsidiary companies | **(0.45)** | - |
| | Proceeds from sale of investments | **11.97** | 72.75 |
| | Dividends received | **-** | 0.04 |
| | Interest received | **1052.56** | 764.33 |
| | Net cash from/(used in) investing activities | **(3164.27)** | (5726.97) |
| **C.** | **Cash flow from financing activities** | | |
| | Proceeds from new borrowings | **1042.68** | 24919.83 |
| | Repayment of borrowings | **(11046.81)** | (28754.67) |
| | Dividends paid | **(4415.42)** | (3529.04) |
| | Tax on dividends paid | **(754.40)** | (603.52) |
| | Interest paid | **(2620.59)** | (2007.80) |
| | Net cash from/(used in) financing activities | **(17794.54)** | (9975.20) |
| | Net cash flows during the year (A+B+C) | **13231.68** | 258.71 |
| | Cash and cash equivalents (opening balance) | **5469.10** | 5191.30 |
| | Add :Cash and cash equivalents acquired on amalgamation | **-** | 5.44 |
| | Add / ( Less) :Unrealised exchange (gain) / loss | **13.83** | 27.48 |
| | | **5482.93** | 5224.22 |
| | Cash and cash equivalents (closing balance) | **18671.84** | 5469.10 |
| | Add / ( Less) :Unrealised exchange (gain) / loss | **42.77** | 13.83 |
| | | **18714.61** | 5482.93 |
| | Increase / (decrease) in cash and cash equivalents | **13231.68** | 258.71 |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | | As at 31-03-2010 | As at 31-03-2009 |
|---|---|---|---|
| **" A " Share capital** | | | |
| Authorised | | | |
| 8,00,00,000 equity shares of Rs. 10 each | | **8000.00** | 8000.00 |
| 40,00,000 redeemable cumulative preference shares of Rs. 100 each | | **4000.00** | 4000.00 |
| | | **12000.00** | 12000.00 |
| **Issued and subscribed** | | | |
| 4,43,89,308 equity shares of Rs.10 each, fully paid up | | **4438.93** | 4438.93 |
| | | **4438.93** | 4438.93 |
| **" B " Reserves and surplus** | | | |
| Capital reserve | | | |
| As per last balance sheet | **13.28** | | 13.23 |
| Add : On amalgamation | **-** | | 0.05 |
| | | **13.28** | 13.28 |
| Share premium account | | | |
| As per last balance sheet | **13888.27** | | 13357.02 |
| Add : On amalgamation | **-** | | 531.25 |
| | | **13888.27** | 13888.27 |
| Debenture redemption reserve | | | |
| As per last balance sheet | **1541.00** | | 1013.00 |
| Add : Transfer from profit and loss account | **528.00** | | 528.00 |
| | | **2069.00** | 1541.00 |
| Hedging reserve { refer Note 40 (a)} | | **45.90** | - |
| General reserve | | | |
| As per last balance sheet | **14140.34** | | 2939.86 |
| Add : On amalgamation | **-** | | 5884.38 |
| Less : Deficit on amalgamation | **-** | | 5610.90 |
| Add : Transfer from profit and loss account | **10551.00** | | 10927.00 |
| | | **24691.34** | 14140.34 |
| Balance in profit and loss account | | **27291.61** | 21102.53 |
| | | **67999.40** | 50685.42 |
| **" C " Secured loans** | | | |
| 6.75% non convertible debentures of Rs.250 each, fully paid up {refer Note 7} | | **5282.60** | 5282.60 |
| Term loans from banks {refer Note 8 (a)} | | **-** | 3332.33 |
| Foreign Currency loan {refer Note 8 (b)} | | **1996.44** | 2537.00 |
| Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future | | **-** | 523.58 |
| | | **7279.04** | 11675.51 |

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| **" D " Unsecured loans** | | | | |
| Short term loans and advances | | | | |
| - from banks | | - | | 5000.00 |
| - from subsidiary companies | | - | | 865.00 |
| | | | - | 5865.00 |
| | | | - | 5865.00 |

## " E " Fixed Assets

Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 1-4-2009 | Additions | Deductions | Cost as at 31-3-2010 | As at 1-4-2009 | For the year | Deductions | As at 31-3-2010 | As at 31-3-2010 | As at 31-3-2009 |
| Land - freehold | 229.29 | - | 1.22 | 228.07 | - | - | - | - | 228.07 | 229.29 |
| Land - leasehold | 141.01 | 385.59 | - | 526.60 | - | - | - | - | 526.60 | 141.01 |
| Buildings | 5606.48 | 400.32 | 121.23 | 5885.57 | 1784.46 | 151.13 | 16.13 | 1919.46 | 3966.11 | 3822.02 |
| Plant, machinery and equipment | 41287.28 | 2978.93 | 1711.31 | 42554.90 | 25703.05 | 1845.99 | 1456.82 | 26092.22 | 16462.68 | 15584.23 |
| Furniture, fixtures and equipment | 5086.84 | 1293.59 | 245.68 | 6134.75 | 2437.26 | 819.07 | 121.62 | 3134.71 | 3000.04 | 2649.58 |
| Vehicles | 625.79 | 276.45 | 126.57 | 775.67 | 243.95 | 155.34 | 99.80 | 299.49 | 476.18 | 381.84 |
| Intangible assets - Trade Marks | 6327.11 | - | - | 6327.11 | 1687.23 | 3036.48 | - | 4723.71 | 1603.40 | 4639.88 |
| TOTAL | 59303.80 | 5334.88 | 2206.01 | 62432.67 | 31855.95 | 6008.01 | 1694.37 | 36169.59 | 26263.08 | |
| Previous year | 55807.10 | 5737.82 | 2241.12 | 59303.80 | 28561.01 | 4176.06 | 881.12 | 31855.95 | | 27447.85 |
| Capital work in progress {including advances for capital expenditure Rs.173.72 lakhs (2009 : Rs.287.28 lakhs)} | | | | | | | | | 1228.67 | 1952.49 |
| | | | | | | | | | 27491.75 | 29400.34 |

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|
| **"F" Investments** | | | |
| **Trade investments (long term) - unquoted** | | | |
| In subsidiary companies | | | |
| 19,00,000 (2009 : 19,00,000) fully paid equity shares of Rs. 10 each in Titan TimeProducts Limited | 237.70 | | 237.70 |
| 3,35,020 (2009 : 3,35,000) fully paid equity shares of Rs. 10 each in Titan Properties Limited (20 equity shares purchased during the year) | 33.59 | | 33.54 |
| Nil (2009 : 40,030) fully paid equity shares of Rs. 10 each in Titan Mechatronics Limited (40,030 equity shares sold during the year) | - | | 4.00 |
| 19,31,319 (2009 : 19,30,350) fully paid equity shares of Rs. 10 each in Tanishq (India) Limited (969 equity shares purchased during the year) | 382.08 | | 381.68 |
| | | 653.37 | 656.92 |
| In non subsidiary companies | | | |
| 5,25,000 (2009: 5,25,000) fully paid equity shares of Rs. 10 each in Innoviti Embedded Solutions Pvt. Limited | 100.00 | | 100.00 |
| | | 100.00 | 100.00 |
| **Non-Trade investments (long term) - quoted** | | | |
| 100 (2009 : 100) fully paid equity shares of Rs.10 each in Timex Watches Limited | 0.01 | | 0.01 |
| 1,000 (2009 : 1,000) fully paid equity shares of Rs.10 each in National Radio Electronics Company Limited | 0.10 | | 0.10 |
| 2,025 (2009 : 1,800) fully paid equity shares of Rs.10 each in Tata Steel Limited (225 equity shares on conversion of preference shares during the year) | 4.62 | | 3.27 |
| 600 (2009 : 600) fully paid equity shares of Rs.10 each in Tata Tea Limited | 2.34 | | 2.34 |
| 560 (2009 : 560) fully paid equity shares of Rs.10 each in Tata Chemicals Limited | 1.40 | | 1.40 |
| 300 (2009 : 300) fully paid equity shares of Rs.10 each in Trent Limited | 0.92 | | 0.92 |
| 100 (2009 : 100) fully paid equity shares of Rs.10 each in Titan Alloys Limited | 0.02 | | 0.02 |
| 100 (2009 : 100) fully paid equity shares of Rs.10 each in Titan Foods and Fashions Limited | 0.01 | | 0.01 |
| 100 (2009 : 100) fully paid equity shares of Rs.10 each in Titan Biotech Limited | 0.02 | | 0.02 |
| 100 (2009 : 100) fully paid equity shares of Rs.10 each in Titan Securities Limited | 0.01 | | 0.01 |
| | 9.45 | | 8.10 |
| Less : Provision for diminution | 0.06 | | 0.06 |
| | | 9.39 | 8.04 |

**Titan Industries Limited**

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|
| **" F " Investments (Contd.)** | | | |
| **Non-Trade investments (long term) - unquoted** | | | |
| 1,14,663 (2009: 1,14,663) fully paid equity shares of Rs. 50 each in The Central India Spinning and Weaving Mills Limited | - | | - |
| 97,624 (2009: 97,624) fully paid equity shares of Rs. 25 each in Tata Mills Limited | - | | - |
| 400 (2009: 400) fully paid equity shares of Rs. 25 each in The Central India Press Limited | - | | - |
| | | - | - |
| **Others (long term) - quoted** | | | |
| Nil (2009 : 1,350) fully paid 2% cumulative convertible preference shares of Rs. 100 each in Tata Steel Limited (converted to 225 equity shares during the year) | - | | 1.35 |
| 25 (2009 : 25) fully paid secured non-convertible debentures of Rs.500 each in Trent Limited | 0.13 | | 0.13 |
| | | 0.13 | 1.48 |
| | | 762.89 | 766.44 |
| Aggregate amount of quoted investments | | 9.52 | 9.52 |
| Aggregate amount of unquoted investments | | 753.37 | 756.92 |
| Market value of quoted investments | | 24.71 | 9.87 |
| **" G " Current assets, loans and advances** | | | |
| Inventories | | | |
| Consumable stores | | 378.03 | 410.85 |
| Loose tools | | 392.26 | 417.05 |
| Raw materials and bought-out components | | 21431.60 | 18775.84 |
| Work in progress | | 10897.68 | 7242.20 |
| Finished goods | | 100933.58 | 93423.23 |
| | | 134033.15 | 120269.17 |
| Sundry debtors (unsecured) | | | |
| Over six months | | | |
| Considered good | 719.06 | | 1237.12 |
| Considered doubtful | 759.35 | | 727.35 |
| | 1478.41 | | 1964.47 |
| Others - considered good | 8641.70 | | 9385.04 |
| | 10120.11 | | 11349.51 |
| Less: Provision for doubtful debts | 759.35 | | 727.35 |
| | | 9360.76 | 10622.16 |

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | | | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|---|
| **" G " Current assets, loans and advances (Contd.)** | | | | | |
| Cash and bank balances | | | | | |
| Cash on hand | | | **323.66** | | 278.61 |
| Cheques on hand | | | **415.20** | | 992.60 |
| With scheduled banks | - | in current accounts | **4068.57** | | 2305.68 |
| | - | in fixed deposits | **12500.00** | | - |
| | - | in transit | **1357.92** | | 1830.48 |
| With non scheduled banks | - | in current accounts | | | |
| Hongkong and Shanghai Banking Corporation Limited, Hongkong | | | **3.67** | | 1.55 |
| HSBC Bank, USA | | | **2.81** | | 59.85 |
| JP Morgan Chase Bank, N.A., USA | | | **0.01** | | 0.33 |
| | | | | **18671.84** | 5469.10 |
| Maximum balance outstanding during the year | | | | | |
| Hongkong and Shanghai Banking Corporation Limited, Hongkong - Rs.9.63 lakhs (2009 : Rs.10.70 lakhs) | | | | | |
| HSBC Bank, USA - Rs. 286.98 lakhs (2009 : Rs.591.53 lakhs) | | | | | |
| JP Morgan Chase Bank,N.A., USA - Rs. 6.03 lakhs (2009 : Rs.28.39 lakhs) | | | | | |
| Loans and advances (unsecured and considered good, unless otherwise stated) | | | | | |
| Advances recoverable in cash or in kind or for value to be received | | | | | |
| - from subsidiaries | | | **3.14** | | 141.29 |
| - from others | | | | | |
| Considered good | | | **11447.16** | | 9411.65 |
| Considered doubtful | | | **5176.92** | | 5616.35 |
| | | | **16624.08** | | 15028.00 |
| Tax payments, net of provision | | | **5176.69** | | 213.55 |
| Balances with customs and excise authorities | | | **1678.55** | | 1646.41 |
| | | | **23482.46** | | 17029.25 |
| Less: Provision for doubtful loans and advances | | | **5176.92** | | 5616.35 |
| | | | | **18305.54** | 11412.90 |
| | | | | **180371.29** | 147773.33 |

**Titan Industries Limited**

# Schedules forming part of Balance Sheet

Rupees in lakhs

| | | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| " H " | **Current liabilities and provisions** | | | |
| | Current liabilities | | | |
| | Sundry creditors | | | |
| | Dues to micro enterprises and small enterprises | **62.87** | | 36.98 |
| | Others | **72154.34** | | 69617.60 |
| | Dues to subsidiary companies | **-** | | 16.07 |
| | | **72217.21** | | 69670.65 |
| | Unclaimed dividends | **116.71** | | 93.20 |
| | Advances from customers | **42293.28** | | 23932.20 |
| | Interest accrued but not due on loans | **331.77** | | 416.93 |
| | | | **114958.97** | 94112.98 |
| | Provisions | | | |
| | Proposed dividend on equity shares | **6658.40** | | 4438.93 |
| | Tax on dividends | **1105.88** | | 754.40 |
| | Retiring gratuities and pension | **1238.71** | | 776.06 |
| | Leave salaries | **3255.19** | | 2654.11 |
| | Others {refer Note 5 (a) and (b)} | **1215.92** | | 720.97 |
| | | | **13474.10** | 9344.47 |
| | | | **128433.07** | 103457.45 |

# Schedules forming part of the Profit and Loss Account

Rupees in lakhs

| | | Current Year | Previous Year |
|---|---|---|---|
| " I " | **Other income** | | |
| | Interest from staff loans, vendor advances and bank deposits - gross (tax deducted at source on interest received Rs. 110.31 lakhs; 2009: Rs. 46.59 lakhs) | **1062.62** | 390.98 |
| | Income from trade investments | **-** | 0.04 |
| | Interest from tax free bonds of Unit Trust of India | **-** | 2.53 |
| | Profit on sale of investments | **7.97** | - |
| | Miscellaneous income | **115.26** | 132.50 |
| | | **1185.85** | 526.05 |

# Schedules forming part of the Profit and Loss Account

Rupees in lakhs

| | | | | Current Year | Previous Year |
|---|---|---|---|---|---|
| **" J "** | **Operating and other expenses** | | | | |
| | Raw materials and components consumed | | | **308744.05** | 252081.71 |
| | Loose tools, stores and spare parts consumed | | | **6145.83** | 7047.29 |
| | Purchase of finished goods | | | **41215.26** | 34956.83 |
| | Salaries, wages and bonus | | | **23860.26** | 20473.89 |
| | Company's contribution to provident and other funds | | | **1054.57** | 954.00 |
| | Welfare expenses | | | **1598.71** | 1441.86 |
| | Gratuity | | | **935.09** | 470.35 |
| | Other expenses | | | | |
| | Power and fuel | | **1746.57** | | 1610.96 |
| | Repairs to buildings | | **99.98** | | 137.32 |
| | Repairs to plant and machinery | | **610.95** | | 898.63 |
| | Advertising | | **21114.74** | | 18136.33 |
| | Selling and distribution expenses | | **4509.06** | | 4855.45 |
| | Insurance | | **323.86** | | 325.80 |
| | Rent | | **7322.54** | | 7703.36 |
| | Rates and taxes | | **4328.40** | | 5533.02 |
| | Travel | | **1301.47** | | 1652.76 |
| | Provision for doubtful debts / advances | | **64.05** | | 41.00 |
| | Irrecoverable loans and advances written off | **471.48** | | | - |
| | Less : Provision for loans and advances created in earlier years | **471.48** | | | - |
| | Loss on sale of investments | **-** | | | 2.11 |
| | Less : Provision for investments created in earlier years | **-** | | | - |
| | | | **-** | | 2.11 |
| | Loss on sale / disposal / scrapping of fixed assets (net) | | **324.15** | | 1114.83 |
| | Gold price hedging costs (net) | | **3928.57** | | (2199.38) |
| | General expenses | | **9756.78** | | 11235.29 |
| | | | | **55431.12** | 51047.48 |
| | Directors' fees | | | **16.42** | 11.55 |
| | Commission to Non Whole-time Directors | | | **115.00** | 80.00 |
| | Decrease/(Increase) in work in progress and finished goods | | | | |
| | Closing stocks | | | | |
| | Work in progress | **10897.68** | | | 7242.20 |
| | Finished goods | **100933.58** | | | 93423.23 |
| | | | **111831.26** | | 100665.43 |
| | Opening stocks | | | | |
| | Work in progress | **7242.20** | | | 7384.25 |
| | Finished goods | **93423.23** | | | 75414.17 |
| | | | **100665.43** | | 82798.42 |
| | | | | **(11165.83)** | (17867.01) |
| | | | | **427950.48** | 350697.95 |
| | Less : Expenses capitalised | | | **4.05** | 9.40 |
| | | | | **427946.43** | 350688.55 |

**Titan Industries Limited**

# Schedules forming part of Accounts

## "K" Notes to the accounts

### 1. Accounting policies:

The financial statements have been prepared on an accrual basis under the historical cost convention in accordance with the accounting principles generally accepted in India and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 and by the Institute of Chartered Accountants of India and with the relevant provisions of the Companies Act, 1956:

i. Revenue recognition: Revenue from sale of goods is recognised when the goods are despatched from the factory/ stock points/ or delivered to customers as per the terms of the contract.

Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the Company's right to receive the payment is established.

ii. Fixed Assets: Fixed assets are capitalised at acquisition cost including directly attributable cost.

In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.

iii. Depreciation: Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for the following:

| | |
|---|---|
| Computers | - @ 25% instead of 16.21% |
| Vehicles | - @ 25% instead of 9.50% |
| Furniture & Fixtures | - @ 20% instead of 6.33% |
| Leased assets | - over the primary lease period. |

iv Amortisation: Trade marks are amortised over a period of 120 months from the month of acquisition. The expected pattern of economic benefits from the use of trademarks is reviewed periodically and additional amortisation, if required, is provided. (refer Note 4).

v. Foreign currency transactions: Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement/ settlement is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss of the reporting period in which the exchange rates change.

vi. Derivative Accounting: The Company uses derivative financial instruments to manage risks associated with gold price fluctuations relating to certain highly probable forecasted transactions, foreign currency fluctuations relating to certain firm commitments and foreign currency and interest rate exposures relating to foreign currency loan. With effect from April 1, 2009, the Company has applied the hedge accounting principles set out in Accounting Standard 30 – Financial Instruments: Recognition and Measurement and has designated derivative financial instruments taken for gold price fluctuations as 'cash flow' hedges relating to highly probable forecasted transactions (refer Note 40). All such derivative financial instruments are supported by an underlying transaction and are not for trading or speculative purposes.

The use of derivative financial instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such instruments consistent with the Company's risk management strategy.

# Schedules forming part of Accounts

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in hedging reserve and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in hedging reserve is retained until the forecast transaction occurs upon which it is recognized in profit and loss account. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in hedging reserve is recognized immediately to the profit and loss account.

vii. Investments: All long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

viii. Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

ix. Inventories: Inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows:

a) Gold is valued on First-in-first-out basis. (Refer note 3).

b) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.

c) Work-in-progress and manufactured goods are valued on full absorption cost method based on the average cost of production.

d) Traded goods are valued on a moving weighted average rate/ cost of purchases.

x. Product warranty expenses: Product warranty costs are determined based on past experience and provided for in the year of sale.

xi Employee Benefits:

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognised on an undiscounted basis and charged to the profit and loss account.

Defined Contribution plan

Company's contributions to the Superannuation Fund which is a self managed Fund and Pension Fund administered by Regional Provident Fund Commissioner are debited to the profit and loss account on an accrual basis.

Defined Benefit Plan

Contribution to the Company's Gratuity Trust, liability towards pension of retired managing director and provision towards leave salary benefit is provided on the basis of an actuarial valuation using the projected unit credit method and is debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognised in the profit and loss account.

Contribution to the Company's Provident Fund Trust is made at predetermined rates and debited to the profit and loss account on an accrual basis.

xii Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

# Schedules forming part of Accounts

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xiii Segment accounting: Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically.

The Company's primary segments consist of Watch, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building and Clocks.

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

xiv Impairment of assets: Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognized when the carrying amount exceeds greater of net selling price and value in use.

xv Use of estimates: The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

xvi Provisions and Contingencies: A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes.

Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 1867.53 lakhs (2009: Rs. 2662.96 lakhs).

3. Consequent to the adoption of hedge accounting for gold, for a more accurate reflection of the operational performance and appropriate presentation of the financial statements, the Company has adopted First-in-First-Out (FIFO) method of valuing gold from April 1, 2009 as against weighted average method adopted up to March 31, 2009. This change has resulted in a higher profit before taxes of Rs 1341.23 lakhs during the year ended March 31, 2010.

4. During the year, the Company reviewed the expected pattern of economic benefits from the use of trademarks. Consequent to such review a further amount of Rs. 2403.97 lakhs has been amortised.

5. As per AS 29, Provisions, Contingent Liabilities and Contingent Assets given below are movements in provision for Warranty and Customer Loyalty programme.

   (a) Provision for warranty - Rs. 228.48 lakhs (2009: Rs. 239.98 lakhs).

   The Company gives warranty on all products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Provision made and utilised/reversed during the year is Rs. 228.48 lakhs (2009: Rs. 201.96 lakhs) and Rs. 239.98 lakhs (2009: Rs. 192.29 lakhs) respectively.

   (b) Provision for Customer Loyalty programme - Rs. 987.44 lakhs (2009: Rs. 480.99 lakhs)

   The Company has a scheme of reward points on purchase of certain products by customers which can be redeemed at the time of future purchases. Provision is made based on past experience. Additional provision made and utilised/reversed during the year is Rs. 1150.15 lakhs (2009: Rs. 296.36 lakhs) and Rs. 643.70 lakhs (2009: Rs. 245.62 lakhs) respectively.

# Schedules forming part of Accounts

(c) Contingent liabilities not provided for - Rs. 5351.17 lakhs (2009: Rs. 3883.28 lakhs) comprising of the following:

Sales Tax - Rs. 307.30 lakhs (2009: Rs. 323.10 lakhs)
(relating to the applicability of rate of tax, computation of tax liability, submission of certain statutory forms)

Customs Duty - Rs. 316.94 lakhs (2009: Rs. 447.89 lakhs)
(relating to compliance with the terms of notification, export obligations)

Excise Duty - Rs. 3397.79 lakhs (2009: Rs. 2779.35 lakhs)
(relating to denial of exemption by amending the earlier notification, computation of the assessable value, denial of input credit on service tax)

Income Tax - Rs. 1238.60 lakhs (2009: Rs. 263.25 lakhs)
(relating to disallowance of deductions claimed)

Others - Rs. 90.54 lakhs (2009: Rs. 69.69 lakhs)
(relating to miscellaneous claims)

The above amounts are based on the notice of demand or the Assessment Orders or notification by the relevant authorities, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

6. The Company has received show cause notices from the Excise authorities aggregating to Rs. 6391.14 lakhs (2009: 4983.40 lakhs) without quantifying interest and penalty, towards excise duty on jewellery despatches. The Company has been legally advised that the notice is not sustainable.

7. The 6.75% debentures are redeemable at par at the end of five years from the dates of allotment on May 12, 2006 and June 09, 2006 and are secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur.

8. The term loans from banks shown under secured loans include:

   a) Loan of Rs. Nil (2009: Rs. 3332.33 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and secured by way of an equitable mortgage of immovable properties of the Company, both present and future.

   b) Foreign currency loan of Rs.1996.44 lakhs (2009: Rs. 2537 lakhs) secured by a first charge over the Company's present and future fixed (movable and immovable) assets.

9. Non-fund based facilities availed of Rs. 25963.71 lakhs (2009: Rs. 25697.00 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.

10. The security covered under notes 7 and 8 above rank pari passu. The security covered under note 9 rank pari passu with the security for the cash credit facility.

11. a) Dues to micro enterprises and small enterprises to whom the Company owes any sum, comprises of the following:

Rupees in lakhs

| | **2010** | 2009 |
|---|---|---|
| a) Principal amounts unpaid | **62.87** | 36.98 |
| Interest due on above | **-** | - |
| | **62.87** | 36.98 |

   b) No interest payments have been made during the year.

   b) The above information and that given in "Current Liabilities" in Schedule H regarding dues to Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

12. Exchange loss (net) included in the profit and loss account is Rs. 104.20 lakhs (2009: gain - Rs. 97.11 lakhs).

# Schedules forming part of Accounts

13. Auditors remuneration comprises of fees for audit of statutory accounts Rs. 85.00 lakhs (2009: Rs. 65.00 lakhs), taxation matters Rs. 41.41 lakhs (2009: Rs. 30.97 lakhs), audit of consolidated accounts Rs. 7.00 lakhs (2009: Rs. 7.00 lakhs), other services Rs. 22.30 lakhs (2009: Rs. 23.70 lakhs) and reimbursement of levies and expenses Rs. 5.19 lakhs (2009: Rs. 6.76 lakhs).

14. Excise duty of Rs.2870.13 lakhs (2009: Rs. 4434.04 lakhs) reduced from gross sales in the profit and loss account represents excise duty on sale of products.

15. Rates and taxes include the following :

    i) Rs. 360.13 lakhs (2009: Rs. (–) 88.67 lakhs) being the difference in excise duty included in closing stock and opening stock of finished goods.

    ii) Rs. 2217.80 lakhs (2009: Rs. 3212.31 lakhs) being the excise duty paid on watch components transferred from Hosur factory to Dehradun, Baddi, Roorkee and Pantnagar factories.

16. Interest on fixed loans amounts to Rs. 1151.20 lakhs (2009: Rs. 1332.56 lakhs).

17. The Directors' remuneration of Rs. 318.13 lakhs (2009: Rs. 252.32 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs. 9.56 lakhs (2009: Rs. 8.42 lakhs), perquisites Rs. 48.17 lakhs (2009: Rs. 42.69 lakhs), commission of Rs.110.00 lakhs (2009: Rs. 90.00 lakhs) and commission to non whole-time directors of Rs.115.00 lakhs (2009: Rs. 80.00 lakhs).

    Computation of net profit under section 309(5) of the Companies Act, 1956 is as under:

| | Rupees in lakhs | |
|---|---|---|
| | **2010** | 2009 |
| Profit before taxes as per Profit and Loss Account | **32131.70** | 23055.62 |
| Add: Directors' remuneration | **318.13** | 252.32 |
| Directors' fees | **16.42** | 11.55 |
| Depreciation /amortisation provided in the accounts for the current year | **6008.01** | 4176.06 |
| Loss on sale/ disposal/ scrapping of fixed assets as per books (net) | **324.15** | 1114.83 |
| Provision for doubtful debts/advances (net) | **64.05** | 41.00 |
| Loss / (profit) on sale of investments (net) | **(7.97)** | 2.11 |
| Wealth Tax | **4.92** | 3.88 |
| | **38859.41** | 28657.37 |
| Less: Depreciation as per Section 350 of the Companies Act, 1956 for the current year | **5320.36** | 3009.56 |
| Loss on sale/ disposal/ scrapping of fixed assets as per Section 350 of the Companies Act, 1956 (net) | **380.78** | 1219.41 |
| Net profit | **33158.27** | 24428.40 |
| Restricted to | | |
| 5% of net profit for whole-time directors | **1657.91** | 1221.42 |
| 1% of net profits for non whole-time directors | **331.58** | 244.28 |

18. The provisions of Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacity is 14 million watches (2009: 12 million watches), 0.32 million jewellery pieces (2009: 0.32 million jewellery pieces), 0.30 million clocks (2009: 0.30 million clocks) and 0.30 million eyewear products (2009: Nil). The installed capacities are as certified by the management and relied upon by the auditors without verification, being a technical matter.

19. The Company produced 87,04,422 watches (2009: 88,12,268 watches) sold 93,45,356 watches - Rs. 80352.96 lakhs (2009: 82,69,424 watches - Rs. 72662.31 lakhs) and had a closing stock of 9,42,048 watches - Rs. 6937.46 lakhs (2009: 15,82,982 watches - Rs. 10318.94 lakhs, 2008: 10,40,138 watches - Rs. 6959.22 lakhs).

# Schedules forming part of Accounts

20. The Company produced 22,775 clocks (2009: 44,889 clocks) sold 24,475 clocks - Rs. 202.26 lakhs (2009: 72,378 clocks - Rs. 413.84 lakhs) and had a closing stock of 1,498 clocks - Rs. Nil (2009: 3,198 clocks - Rs. Nil , 2008: 30,687 clocks - Rs. Nil )

21. The Company produced 13,33,198 jewellery pieces (2009: 12,43,717 jewellery pieces), purchased 94,805 jewellery pieces - Rs. 28871.26 lakhs (2009: 88,950 jewellery pieces - Rs.24509.05 lakhs), sold 14,21,645 jewellery pieces - Rs. 296126.39 lakhs (2009: 13,64,813 jewellery pieces - Rs. 226503.14 lakhs) and had a closing stock of 3,81,990 jewellery pieces - Rs. 85981.90 lakhs (2009: 3,75,632 jewellery pieces - Rs. 75808.74 lakhs, 2008: 4,07,778 jewellery pieces - Rs. 62966.35 lakhs).

22. The Company produced 6,40,411 coins (2009: 8,17,162 coins), sold 6,69,746 coins - Rs. 53621.00 lakhs (2009: 7,71,953 coins - Rs. 49130.44 lakhs) and had a closing stock of 62,478 coins - Rs. 2906.33 lakhs (2009: 91,813 coins - Rs. 1843.45 lakhs, 2008: 46,604 coins - Rs. 2090.10 lakhs)

23. The Company produced 23,535 eyewear products (2009: Nil) sold 14,542 eyewear products - Rs. 93.11 lakhs (2009: Nil) and had a closing stock of 8,993 eyewear products - Rs. 14.01 lakhs (2009: Nil, 2008: Nil )

24. The Company produced 60 machines (2009: 115 machines), capitalised 1 machine (2009: 1 machine), and sold 59 machines - Rs. 2592.54 lakhs (2009: 114 machines - Rs. 4280.00 lakhs), and had a closing stock of Nil (2009: Nil machine - Rs. Nil lakhs; 2008: Nil machine - Rs. Nil lakhs).

25. The Company purchased 15,73,886 watches - Rs. 7873.36 lakhs (2009: 15,79,562 watches - Rs. 8284.18 lakhs), sold 16,90,916 watches - Rs. 18681.83 lakhs (2009: 14,24,498 watches - Rs. 16337.02 lakhs) and had a closing stock of 3,82,082 watches - Rs. 3471.28 lakhs (2009: 4,99,112 watches - Rs. 4310.18 lakhs, 2008: 3,44,048 watches - Rs. 2553.05 lakhs).

26. The Company purchased Nil clocks (2009: Nil clocks), sold 271 clocks - Rs. Nil (2009: 2,478 clocks - Rs. 0.67 lakhs) and had a closing stock of 841 clocks - Rs. Nil (2009: 1112 clocks - Rs. Nil , 2008: 3,590 clocks - Rs. Nil ).

27. The Company purchased 16,34,029 eyewear products - Rs. 4252.17 lakhs (2009: 9,59,733 eyewear products - Rs. 2112.33 lakhs), sold 14,80,614 eyewear products - Rs. 9536.07 lakhs (2009: 8,53,597 eyewear products - Rs. 6484.76 lakhs) and had a closing stock of 4,27,913 eyewear products - Rs. 1223.78 lakhs (2009: 2,74,498 eyewear products - Rs. 947.15 lakhs, 2008: 1,68,362 eyewear products - Rs. 619.70 lakhs).

    Eyewear products include sunglasses, frames, ready readers and lenses.

28. Sales includes sale of scrap Rs. 591.98 lakhs (2009: Rs. 576.17 lakhs), sale of accessories Rs. 7870.00 lakhs (2009: Rs. 7313.84 lakhs), sale of tools and components Rs. 715.83 lakhs (2009; Rs. 593.14 lakhs), sale of gold Rs. 788.09 lakhs (2009: Rs. 4929.37 lakhs), sale of precious stones Rs 2017.95 lakhs (2009: Rs. 1568.43 lakhs), income from services provided Rs. 246.83 lakhs (2009: Rs. 254.02 lakhs) and is net of turnover based commission of Rs. 9553.38 lakhs (2009: Rs. 7246.03 lakhs) and all discounts, including cash discount of Rs. 644.17 lakhs (2009: Rs. 591.14 lakhs).

29. Analysis of raw materials and components consumed:

Rupees in lakhs

| | | 2010 | 2009 |
|---|---|---|---|
| Precious metals | - Gold (2010:15698 Kgs.); ( 2009:15484 Kgs.)* | **260336.77** | 204894.59 |
| | - Others | **624.26** | 733.44 |
| Brass | | **1077.52** | 997.02 |
| Steel | | **586.78** | 1028.57 |
| Components | | **26245.29** | 26089.69 |
| Precious and semi-precious stones ** | | **18695.84** | 16965.66 |
| Sundry charges | | **1177.59** | 1372.74 |
| | | **308744.05** | 252081.71 |

Except for gold consumption, quantity details have not been disclosed, as the items consumed under each head are dissimilar in nature / type / size and unit of measurement.

* Includes 49 Kgs (2009: 351 Kgs) of gold sold costing Rs. 719.28 lakhs (2009: Rs. 4175.71 lakhs)

** Includes 2481 nos (2009: 1193 nos) of precious stones sold costing Rs. 1530.90 lakhs (2009: Rs. 1142.09 lakhs)

# Schedules forming part of Accounts

30. Value of imported and indigenous raw materials and components consumed and the percentage of each to the total consumption:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Rupees in lakhs** | **%** | Rupees in lakhs | % |
| Imported | | | | |
| CIF Value | **200723.44** | **65** | 111575.98 | 44 |
| Customs duties | **3513.60** | **1** | 2035.30 | 1 |
| | **204237.04** | **66** | 113611.28 | 45 |
| Indigenous | **104507.01** | **34** | 138470.43 | 55 |
| | **308744.05** | **100** | 252081.71 | 100 |

31. Analysis of imports on CIF basis:

Rupees in lakhs

| | **2010** | 2009 |
|---|---|---|
| Raw materials and components | **198163.51** | 108811.83 |
| Stores and spares | **887.94** | 1046.70 |
| Capital goods | **1156.85** | 770.93 |
| | **200208.30** | 110629.46 |

32. Expenditure in foreign currency (on payment basis) on account of:

Rupees in lakhs

| | **2010** | 2009 |
|---|---|---|
| Royalty | **291.51** | 107.80 |
| Professional and consultancy services | **67.79** | 351.63 |
| Interest | **271.50** | 39.94 |
| Others | **1466.63** | 2186.55 |

33. Amount remitted by the Company in foreign currency on account of dividends:

| | **2010** | 2009 |
|---|---|---|
| (i) Number of Shareholders | **4** | 4 |
| (ii) Number of equity shares on which dividend was paid | **17,456** | 17,456 |
| (iii) Year to which the dividend related | 2008-09 | 2007-08 |
| (iv) Amount remitted (net of tax) (Rupees in lakhs) | 1.75 | 1.40 |

34. Earnings in foreign exchange:

Rupees in lakhs

| | **2010** | 2009 |
|---|---|---|
| Export of goods on FOB basis | **10061.30** | 13011.21 |
| Others | **93.76** | 244.90 |

35. Revenue expenditure directly attributable to research and development is estimated at Rs. 257.01 lakhs (2009: Rs. 294.17 lakhs).

# Schedules forming part of Accounts

36. Fixed assets include vehicles acquired on finance lease, the details of which are as under:

Rupees in lakhs

| | | 2010 | 2009 |
|---|---|---|---|
| (a) | Cost of vehicles | **-** | 61.97 |
| (b) | Vehicles acquired during the year | **-** | - |
| (c) | Net carrying amount | **-** | 9.82 |

(d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases for each of the following years are as below:

(Previous year figures are in brackets) Rupees in lakhs

| | Minimum Lease Payments outstanding | Present value of Minimum Lease Payments outstanding |
|---|---|---|
| Not later than one year | -<br>(3.84) | -<br>(3.14) |
| Later than one year but not later than five years | -<br>(-) | -<br>(-) |

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed / variable as the case may be. The lease tenor is of 48 months. There are no escalation clauses. There are termination options / purchase options during the period of lease and in certain cases, there are renewal options at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease is reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

37. (a) The total of future minimum lease payments in respect of premises taken on lease under non-cancellable operating leases are as follows:

Rupees in lakhs

| | 2010 | 2009 |
|---|---|---|
| For a period not later than one year | **3886.71** | 4225.81 |
| For a period later than one year but not later than five years | **2611.68** | 5793.50 |
| For a period later than five years | **-** | 29.50 |
| Total | **6498.39** | 10048.81 |

(b) The Company has taken the above operating leases for non-cancellable periods ranging from 1 year to 9 years. The leases are renewable by mutual consent.

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating leases is Rs. 3810.33 lakhs (2009: Rs. 3902.34 lakhs).

38. Current liabilities do not include any amount to be credited to Investor Education and Protection Fund except where there are pending legal cases amounting to Rs. 1.30 lakhs (2009: Rs. 1.13 lakhs) and therefore, amounts relating to the same could not be transferred.

# Schedules forming part of Accounts

39. Employee Benefits

a. Defined Contribution Plans

The contributions recognized in the profit and loss account during the year are as under:

Rupees in lakhs

| Defined Contribution Plan | **2010** | 2009 |
|---|---|---|
| Superannuation Fund | 229.91 | 206.81 |
| Employee Pension Fund (EPF) | 252.86 | 237.93 |
| **Total** | **482.77** | 444.74 |

b. Defined Benefit Plans

(i) Funded

(a) Contributions are made to the Company's Employees Provident Fund Trust at predetermined rates in accordance with the Fund rules. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such shortfall as an expense. There is no shortfall in the interest payable by the Trust to the beneficiaries as on the balance sheet date.

(b) The Company makes annual contributions to The Titan Industries Gratuity Fund. The scheme provides for lump sum payment to vested employees at retirement, death while in employment, or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

The following table sets out the funded status and amounts recognised in the Company's financial statements as at March 31, 2010 for Gratuity:

Rupees in lakhs

| | | **2010** | 2009 |
|---|---|---|---|
| I | Net Asset / (Liability) recognized in the balance sheet | | |
| | 1 Present value of funded obligations | **5126.23** | 4039.92 |
| | 2 Fair Value of Plan Assets | **(4191.14)** | (3569.57) |
| | 3 (Deficit) / surplus | **(935.09)** | (470.35) |
| | 4 Net Asset / Liability | | |
| | - Assets | **-** | - |
| | - Liabilities | **935.09** | 470.35 |
| II | Expense recognized in the Profit & Loss account | | |
| | 1 Current Service Cost | **303.97** | 242.67 |
| | 2 Interest Cost | **337.43** | 283.83 |
| | 3 Expected Return on Plan Assets | **(279.00)** | (224.68) |
| | 4 Actuarial Losses/ (Gains) | **572.69** | 168.53 |
| | 5 Past Service Cost | **-** | - |
| | Total expenses recognised under the head "Payments to and provisions to employees Refer Schedule J" | **935.09** | 470.35 |

# Schedules forming part of Accounts

Rupees in lakhs

| | | 2010 | 2009 |
|---|---|---|---|
| III | Change in present value of obligation | | |
| | 1 Present value of Defined Benefit Obligation at the beginning of the year | **4039.92** | 3387.36 |
| | 2 Current Service Cost | **303.97** | 242.67 |
| | 3 Interest Cost | **337.43** | 283.83 |
| | 4 Actuarial Losses/ (Gains) | **582.47** | 251.48 |
| | 5 Benefits Paid | **(137.56)** | (125.42) |
| | 6 Present value of Defined Benefit Obligation at the end of the year | **5126.23** | 4039.92 |
| IV | Change in fair value of Plan assets | | |
| | 1 Fair value of plan assets at the beginning of the year | **3569.57** | 2877.94 |
| | 2 Expected Return on Plan assets | **279.00** | 224.68 |
| | 3 Actuarial (Losses)/ Gains | **9.78** | 82.95 |
| | 4 Assets distributed on settlement | **-** | - |
| | 5 Contributions by employer | **470.35** | 509.42 |
| | 6 Benefits Paid | **(137.56)** | (125.42) |
| | 7 Fair value of plan assets at the end of the year | **4191.14** | 3569.57 |
| | Actual Return on Plan assets | **288.78** | 307.63 |
| V | The major categories of Plan Assets as a percentage of total Plan Assets | | |
| | 1 Government of India Securities | **45%** | 47% |
| | 2 Corporate bonds | **50%** | 47% |
| | 3 Others | **5%** | 6% |
| VI | Principal actuarial assumptions | | |
| | Discount Rate | **8.35% p.a** | 7.95% p.a |
| | Expected Rate of Return on Plan Assets | **7.50% p.a** | 7.50% p.a |
| VII | The employees are assumed to retire at the age of 58 years | | |
| VIII | The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables. | | |

Expected rate of return on plan assets is based on average yield on investments.

(ii) Unfunded

The defined benefit obligations which are provided for but not funded are as under:

Rupees in lakhs

| | Liability as on March 31, 2010 | Liability as on March 31, 2009 |
|---|---|---|
| Compensated absences / Leave salary | **3255.19** | 2654.11 |
| Pension | **303.62** | 305.71 |

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

# Schedules forming part of Accounts

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

40. a) Hitherto the Company recognised marked to market losses arising from outstanding derivative financial instruments taken to hedge gold price fluctuations in the profit and loss account, while net gains were ignored, in accordance with the Announcement issued by the Institute of Chartered Accountants of India on Accounting for Derivatives. Consequent to change in accounting for derivative financial instruments (refer note 1(vi)), the impact on profit before tax for the year is Nil and reserves and surplus is higher by Rs. 45.90 lakhs.

    Gold futures/forwards contracts outstanding as at the year end - 390 kgs, Rs 6410.04 lakhs (2009: 2765 Kgs, Rs 41231.49 lakhs)

    This being the first year of adoption of the principles of hedge and derivative accounting, the balance at the beginning of the year in hedging reserve and the amount reversed during the year and included in the profit and loss account is Rs. Nil. The balance in the hedging reserve is Rs 45.90 lakhs which is expected to be reclassified to the profit and loss account in the subsequent year.

    b) The Company has an outstanding swap to hedge its foreign currency and interest rate exposures relating to foreign currency loan of US Dollars 4.44 million (2009: US Dollars 5 million) equivalent to Rs 1996.44 Lakhs (2009: Rs. 2537.00 lakhs). Marked to Market loss of Rs 238.53 lakhs (2009:Rs. 37.05 lakhs) has been recognized in the profit and loss account.

    The Company has two forward exchange contracts outstanding for US Dollars 1.8 million equivalent to Rs 808.20 lakhs (2009: 2 forward exchange contracts; US Dollars 0.05 million; Rs. 28.34 lakhs), one forward exchange contract for Euros 0.06 million equivalent to Rs 36.87 lakhs (2009: nil) ) to hedge foreign currency risk of firm commitment of sales and one forward exchange contract for HKD 13.6 million equivalent to Rs 822.80 lakhs (2009: nil) and nil forward exchange contracts (2009: 1 forward exchange contract; US Dollars 5 million; Rs. 2537.00 lakhs), for purchases and borrowings respectively. Marked to Market gain relating to forward contracts credited to profit and loss account is Rs 13.67 lakhs (2009: Rs. (-) 52.00 lakhs).

    c) The foreign currency exposures that are not hedged by a derivative instrument or otherwise as at March 31, 2010 are given below:

    i Amounts receivable in foreign currency as at March 31, 2010

    (Previous year figures are in brackets) Amount in lakhs

| Nature of receivables | Rupees | Foreign currency |
|---|---|---|
| Export of goods | | |
| USD | 1005.23<br>(1742.07) | 22.39<br>(34.34) |
| SGD | -<br>(0.86) | -<br>(0.03) |
| GBP | 55.84<br>(53.87) | 0.82<br>(0.74) |
| HKD | 91.08<br>(125.11) | 15.44<br>(19.18) |
| EURO | -<br>(99.69) | -<br>(1.49) |
| Loans and advances | | |
| USD | -<br>(32.26) | -<br>(0.64) |

# Schedules forming part of Accounts

ii Amounts payable in foreign currency as at March 31, 2010

(Previous year figures are in brackets)

Amount in lakhs

| Nature of payables | Rupees | Foreign currency |
|---|---|---|
| Import of goods and services | | |
| USD | 123.20<br>(178.04) | 2.74<br>(3.50) |
| EURO | 20.48<br>(-) | 0.34<br>(-) |
| HKD | -<br>(3.41) | -<br>(0.52) |
| CHF | 132.46<br>(156.03) | 3.13<br>(3.52) |
| JPY | 69.24<br>(2.79) | 143.65<br>(5.46) |
| GBP | 1.30<br>(1.32) | 0.02<br>(0.02) |
| SEK | 6.46<br>(-) | 1.03<br>(-) |

41. The details of deferred tax asset/(liability) are as under:

Rupees in lakhs

| | As at March 31, 2009 | Tax effect for the year | **As at March 31, 2010** |
|---|---|---|---|
| **Deferred Tax (Liability)** | | | |
| Fixed Assets | (3286.82) | 1018.00 | **(2268.82)** |
| **Sub Total** | (3286.82) | 1018.00 | **(2268.82)** |
| **Deferred Tax Asset** | | | |
| Provision for doubtful debts | 247.23 | 5.01 | **252.24** |
| Disallowances under section 43B | 262.10 | 161.23 | **423.33** |
| Provision for leave salary/gratuity | 829.42 | 180.81 | **1010.23** |
| Others | 130.27 | (22.74) | **107.53** |
| **Sub Total** | 1469.02 | 324.31 | **1793.33** |
| **Net Deferred Tax Asset / (Liability)** | (1817.80) | 1342.31 | **(475.49)** |

# Schedules forming part of Accounts

42. Related party disclosures :

Names of related parties and description of relationship:

a) Promoters : Tamilnadu Industrial Development Corporation Ltd.
Tata Sons Ltd.

b) Subsidiaries : Titan TimeProducts Ltd.
Tanishq (India) Ltd.
Titan Properties Ltd.
Titan Mechatronics Ltd. (upto March 30, 2010)

c) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

Transactions with the related parties during the year are set out in the table below:

(Previous year figures are in brackets) Rupees in lakhs

| Sl. No | Nature of transaction | Promoters | Subsidiaries | Key Management Personnel | Total |
|---|---|---|---|---|---|
| 1 | Purchase of components and finished goods | -<br>(-) | 1143.06<br>(1376.84) | -<br>(-) | 1143.06<br>(1376.84) |
| 2 | Sale of components and finished goods | 2.65<br>(2.87) | 33.64<br>(42.40) | -<br>(-) | 36.29<br>(45.27) |
| 3 | Reimbursement of expenses | -<br>(0.41) | -<br>(-) | -<br>(-) | -<br>(0.41) |
| 4 | Interest expense | 37.34<br>(37.34) | 3.18<br>(56.04) | -<br>(-) | 40.52<br>(93.38) |
| 5 | Rent paid | 49.64<br>(52.31) | -<br>(-) | -<br>(-) | 49.64<br>(52.31) |
| 6 | Rental deposit | -<br>(300.00) | -<br>(-) | -<br>(-) | -<br>(300.00) |
| 7 | Dividend paid | 1631.12<br>(1304.90) | -<br>(-) | -<br>(-) | 1631.12<br>(1304.90) |
| 8 | Commission and sitting fees to non whole-time directors | 28.74<br>(33.07) | -<br>(-) | -<br>(-) | 28.74<br>(33.07) |
| 9 | Intercorporate deposits taken | -<br>(-) | -<br>(835.00) | -<br>(-) | -<br>(835.00) |
| 10 | Intercorporate deposits repaid | -<br>(-) | 865.00<br>(205.00) | -<br>(-) | 865.00<br>(205.00) |
| 11 | Brand equity subscription | 664.77<br>(614.23) | -<br>(-) | -<br>(-) | 664.77<br>(614.23) |
| 12 | Recovery of expenses | -<br>(-) | 14.05<br>(12.63) | -<br>(-) | 14.05<br>(12.63) |
| 13 | Services rendered | 33.04<br>(33.22) | 61.80<br>(52.61) | -<br>(-) | 94.84<br>(85.83) |
| 14 | Managerial remuneration | -<br>(-) | -<br>(-) | 203.13<br>(172.32) | 203.13<br>(172.32) |
| 15 | Purchase of investments | -<br>(-) | 0.40<br>(-) | -<br>(-) | 0.40<br>(-) |
| 16 | Sale of debentures | -<br>(-) | -<br>(15.47) | -<br>(-) | -<br>(15.47) |

# Schedules forming part of Accounts

The above includes the following material related party transactions:-

(Previous year figures are in brackets) Rupees in lakhs

| | Nature of transaction | Category | Name | Amount |
|---|---|---|---|---|
| (a) | Purchase of components and finished goods | Subsidiary | Titan TimeProducts Ltd. | 1143.06<br>(1376.84) |
| (b) | Rental deposit | Promoters | Tata Sons Ltd. | -<br>(300.00) |
| (c) | Dividend paid | Promoters | Tamilnadu Industrial Development Corporation Ltd.<br><br>Tata Sons Ltd | 1237.38<br>(989.91)<br>393.74<br>(314.99) |
| (d) | Intercorporate deposits taken | Subsidiary | Tanishq (India) Ltd.<br><br>Titan Properties Ltd. | -<br>(340.00)<br>-<br>(495.00) |
| (e) | Intercorporate deposits repaid | Subsidiary | Titan Properties Ltd.<br><br>Tanishq (India) Ltd. | 290.00<br>(205.00)<br>575.00<br>(-) |
| (f) | Brand equity subscription | Promoters | Tata Sons Ltd. | 664.77<br>(614.23) |

Balance as on balance sheet date

(Previous year figures are in brackets) Rupees in lakhs

| Nature of transaction | Promoters | Subsidiaries | Key Management Personnel | Total |
|---|---|---|---|---|
| **Debit balance** | | | | |
| Titan TimeProducts Ltd | -<br>(-) | 4.56<br>(143.01) | -<br>(-) | 4.56<br>(143.01) |
| Total Debit Balance | -<br>(-) | 4.56<br>(143.01) | -<br>(-) | 4.56<br>(143.01) |
| **Credit balance** | | | | |
| Tata Sons Ltd | 327.78<br>(270.29) | -<br>(-) | -<br>(-) | 327.78<br>(270.29) |
| Tamilnadu Industrial Development Corporation Ltd | 25.14<br>(28.94) | -<br>(-) | -<br>(-) | 25.14<br>(28.94) |
| Tanishq (India) Ltd | -<br>(-) | -<br>(591.07) | -<br>(-) | -<br>(591.07) |
| Titan Properties Ltd | -<br>(-) | -<br>(290.00) | -<br>(-) | -<br>(290.00) |
| Key Management Personnel | -<br>(-) | -<br>(-) | 114.32<br>(93.80) | 114.32<br>(93.80) |
| Total Credit Balance | 352.92<br>(299.23) | -<br>(881.07) | 114.32<br>(93.80) | 467.24<br>(1274.10) |

**Titan Industries Limited**

# Schedules forming part of Accounts

43. Earnings per share :

The following table sets forth the computation of basic and diluted earnings per share:

Rupees in lakhs

| | 2010 | 2009 |
|---|---|---|
| Net Profit | **25032.36** | 15896.35 |
| a) Weighted average number of equity shares | **4,43,89,308** | 4,43,89,308 |
| b) i) Nominal value of shares (Rs.) | **10** | 10 |
| ii) Earnings per share - Basic and diluted (Rs.) | **56.39** | 35.81 |

44. Segment information for the year ended March 31, 2010

a) Primary Business Segments

(Previous year figures are in brackets). Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Net sales/income | 102534 | 349747 | 15161 | - | 467442 |
| (There is no inter-segment revenue) | (90697) | (276023) | (13618) | (-) | (380338) |
| **Segment Result** | | | | | |
| Before interest, other income and taxes. | 14329 | 24796 | (-)3904 | (-)1733 | 33488 |
| | (13634) | (16143) | (-2422) | (-1882) | (25473) |
| Add : Other Income | 144 | 672 | 15 | 355 | 1186 |
| | (152) | (297) | (11) | (66) | (526) |
| Profit before interest and taxes | 14473 | 25468 | (-)3889 | (-)1378 | 34674 |
| | (13786) | (16440) | (-2411) | (-1816) | (25999) |
| Less : Interest (net) | | | | | 2542 |
| | | | | | (2943) |
| Profit before taxes | | | | | 32132 |
| | | | | | (23056) |
| Taxes | | | | | 7100 |
| | | | | | (7160) |
| Profit after taxes | | | | | 25032 |
| | | | | | (15896) |
| **Other Information** | | | | | |
| Segment Assets | 48249 | 126185 | 12952 | 21240 | 208626 |
| | (53832) | (109014) | (12504) | (2590) | (177940) |
| Segment Liabilities | 25540 | 89005 | 5150 | 8738 | 128433 |
| | (17863) | (75371) | (3445) | (6778) | (103457) |
| Capital expenditure | 2063 | 826 | 1722 | - | 4611 |
| | (2162) | (3313) | (1216) | (-) | (6691) |
| Depreciation/ amortisation | 3657 | 1630 | 668 | 53 | 6008 |
| | (2022) | (1255) | (847) | (52) | (4176) |
| Non cash expenses other than depreciation/ amortisation | 127 | - | 33 | 224 | 384 |
| | (12) | (129) | (11) | (70) | (222) |

# Schedules forming part of Accounts

Total unallocable liabilities exclude

(Previous year figures are in brackets) Rupees in lakhs

| | Total |
|---|---|
| Secured Loans | 7279<br>(11676) |
| Unsecured loans | -<br>(5865) |
| Deferred tax liability (Net) | 475<br>(1818) |

b) Secondary Geographical Segments

(Previous year figures are in brackets) Rupees in lakhs

| | India | USA | Other | Total |
|---|---|---|---|---|
| Revenue | 457237<br>(367115) | 2207<br>(2618) | 7998<br>(10605) | 467442<br>(380338) |

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment assets and capital expenditure by geographical segments.

Details of secondary geographical segments for individual markets outside India and USA are not disclosed as the same do not account for more than 10% of the total segment revenues or results or assets.

45. The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

Signature to Schedules "A" to "K"

For and on behalf of the Board of Directors,

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

Mumbai, 30 April 2010

**Titan Industries Limited**

**Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956.**
**Balance Sheet Abstract and Company's General Business Profile:**

## I. REGISTRATION DETAILS

REGISTRATION NO. 18-001456 STATE CODE 18

BALANCE SHEET DATE 31 03 2010
DATE MONTH YEAR

## II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

| | |
|---|---|
| PUBLIC ISSUE | RIGHTS ISSUE |
| NIL | NIL |
| BONUS ISSUE | PREFERENTIAL ALLOTMENT |
| NIL | NIL |

## III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

| | |
|---|---|
| TOTAL LIABILITIES | TOTAL ASSETS |
| 20862593 | 20862593 |

### SOURCE OF FUNDS

| | |
|---|---|
| PAID-UP CAPITAL | RESERVES & SURPLUS |
| 443893 | 6799940 |
| DEFERRED TAX LIABILITY | SECURED LOANS |
| 47549 | 727904 |
| UNSECURED LOANS | |
| NIL | |

### APPLICATION OF FUNDS

| | |
|---|---|
| NET FIXED ASSETS | INVESTMENTS |
| 2749175 | 76289 |
| NET CURRENT ASSETS | MISC. EXPENDITURE |
| 5193822 | NIL |
| ACCUMULATED LOSSES | |
| NIL | |

## IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

| | | | |
|---|---|---|---|
| | TURNOVER | | TOTAL EXPENDITURE |
| | 47031230 | | 43649632 |
| + - | PROFIT/LOSS BEFORE TAX | + - | PROFIT/LOSS AFTER TAX |
| ✓ | 3213170 | ✓ | 2503236 |
| | EARNING PER SHARE IN Rs. | | DIVIDEND RATE % |
| | 56.39 | | 150 |

## V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS OF THE COMPANY

| ITEM CODE NO. (ITC CODE) | PRODUCT DESCRIPTION |
|---|---|
| 91.02 | WATCHES |
| 91.03 | CLOCKS |
| 71.13 | JEWELLERY |

Signature to Schedules "A" to "K"
For and on behalf of the Board of Directors,

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**
Directors

Mumbai, 30 April 2010

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

| | | | | |
|---|---|---|---|---|
| 1 | Name of Subsidiary | Titan TimeProducts Ltd | Titan Properties Ltd | Tanishq (India) Ltd |
| 2 | Financial year of the Subsidiary | 31st March 2010 | 31st March 2010 | 31st March 2010 |
| 3 | Share of the Subsidiary held by Titan Industries Limited on the above date : | | | |
| | a) Number of shares and face value | 1,900,000 equity shares of Rs 10 each (fully paid up) | 335,020 equity shares of Rs 10 each (fully paid up) | 1,931,319 equity shares of Rs 10 each (fully paid up) |
| | b) Extent of Holding | 100% | 100% | 100% |
| 4 | Net aggregate amount of profit/(loss) of the Subsidiary so far as they concern the members of Titan Industries Limited | | | |
| | a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2010 | Nil | Nil | Nil |
| | b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2010 | Rs 3,443,480 | Rs 952,627 | Rs 4,192,254 |
| 5 | Net aggregate amount of profit/(loss) for previous financial years of the Subsidiary since it became a subsidiary so far as they concern the members of Titan Industries Limited | | | |
| | a) Dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2010 | Nil | Nil | Nil |
| | b) Not dealt with in the accounts of Titan Industries Limited for the year ended 31st March 2010 | Rs 31,766,675 | Rs 38,061,395 | Rs 38,985,946 |

For and on behalf of the Board of Directors,

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

**Ishaat Hussain**
**Nihal Kaviratne**
**C.G.Krishnadas Nair**
**V Parthasarathy**
**Vinita Bali**
**R Poornalingam**
**Hema Ravichandar**
Directors

Bangalore, 7th June 2010

**Titan Industries Limited**

**STATEMENT PURSUANT TO APPROVAL UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS AT 31 MARCH 2010**

| Name of Subsidiary | Titan TimeProducts Ltd | Titan Properties Ltd | Tanishq (India) Ltd |
|---|---|---|---|
| (a) Share Capital | Rs 1,90,00,000 | Rs 3,350,200 | Rs 19,313,190 |
| (b) Reserves | Rs 41,062,699 | Rs 38,838,694 | Rs 65,079,800 |
| (c) Total Assets | Rs 95,086,981 | Rs 77,827,978 | Rs 84,495,500 |
| (d) Total Liabilities | Rs 35,024,282 | Rs 35,639,084 | Rs 102,510 |
| (e) Investments * | - | - | Rs 5,000,000 |
| (f) Income | Rs 146,158,544 | Rs 1,523,640 | Rs 6,097,324 |
| (g) Profit before tax | Rs 4,327,074 | Rs 1,379,627 | Rs 6,019,254 |
| (h) Taxes | Rs 883,594 | Rs 427,000 | Rs 1,827,000 |
| (I) Profit after tax | Rs 3,443,480 | Rs 952,627 | Rs 4,192,254 |
| (j) Proposed Dividend | Nil | Nil | Nil |

The value of Investments in item (e) are included under Total Assets in item (c).
* excluding investments in parent company

For and on behalf of the Board of Directors,

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

**Ishaat Hussain**
**Nihal Kaviratne**
**C.G.Krishnadas Nair**
**V Parthasarathy**
**Vinita Bali**
**R Poornalingam**
**Hema Ravichandar**
Directors

Bangalore, 7th June 2010

# AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF TITAN INDUSTRIES LIMITED**

1. We have audited the attached Consolidated Balance Sheet of TITAN INDUSTRIES LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of separate financial statements and other information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21– Consolidated Financial Statements as notified under The Companies (Accounting Standards) Rules, 2006.

4. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company and its subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;

   (ii) in the case of the Consolidated Profit and Loss account, of the profit of the Group for the year ended on that date; and

   (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 008072S)

B. Ramaratnam
Partner
(Membership No. 21209)

Mumbai, April 30, 2010

**Titan Group**

# Consolidated Balance Sheet as at 31 March 2010

Rupees in lakhs

| | Schedule | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Shareholders' funds | | | | |
| Share capital | A | **4438.93** | | 4438.93 |
| Reserves and surplus | B | **68752.42** | | 51347.53 |
| | | | **73191.35** | 55786.46 |
| Loan funds | | | | |
| Secured loans | C | **7299.11** | | 11657.93 |
| Unsecured loans | D | **-** | | 5000.00 |
| | | | **7299.11** | 16657.93 |
| Deferred tax liability (Net) | | | **535.10** | 1880.34 |
| Total | | | **81025.56** | 74324.73 |
| **APPLICATION OF FUNDS** | | | | |
| Fixed assets | E | | | |
| Gross block, at cost | | **63739.77** | | 60584.67 |
| Less : Depreciation | | **36960.98** | | 32588.98 |
| Net block | | **26778.79** | | 27995.69 |
| Advances on capital account and capital work in progress, at cost | | **1232.35** | | 1952.49 |
| | | | **28011.14** | 29948.18 |
| Investments | F | | **159.51** | 159.51 |
| Deferred tax asset (Net) | | | **0.85** | 9.29 |
| Current assets, loans and advances | G | | | |
| Inventories | | **134541.85** | | 120483.85 |
| Sundry debtors | | **9473.48** | | 10603.80 |
| Cash and bank balances | | **19729.68** | | 5639.54 |
| Loans and advances | | **18602.21** | | 11499.38 |
| | | **182347.22** | | 148226.57 |
| Less : | | | | |
| Current liabilities and provisions | H | | | |
| Current liabilities | | **115910.11** | | 94557.80 |
| Provisions | | **13583.05** | | 9461.02 |
| | | **129493.16** | | 104018.82 |
| Net current assets | | **52854.06** | | 44207.75 |
| Total | | **81025.56** | | 74324.73 |
| Notes | K | | | |

The schedules referred to above form an integral part of the balance sheet

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**
Directors

# Consolidated Profit and Loss Account for the year ended 31 March 2010

Rupees in lakhs

| | Schedule | Current Year | | Previous Year |
|---|---|---|---|---|
| **INCOME** | | | | |
| Sales | | | **470689.94** | 387866.15 |
| Less : Excise Duty | | | **2974.40** | 4602.26 |
| Net Sales Income | | | **467715.54** | 383263.89 |
| Other income | I | | **1273.34** | 530.68 |
| Total | | | **468988.88** | 383794.57 |
| **EXPENDITURE** | | | | |
| Operating and other expenses | J | | **428118.80** | 352874.04 |
| Depreciation / Amortisation | | | **6068.89** | 4234.73 |
| Interest | | | **2540.33** | 2879.27 |
| Total | | | **436728.02** | 359988.04 |
| **PROFIT BEFORE TAXES** | | | **32260.86** | 23806.53 |
| Income taxes - Current | | **8176.15** | | 6549.30 |
| - Deferred | | **(1336.80)** | | (650.50) |
| - Fringe benefit tax | | **-** | | 423.98 |
| | | | **6839.35** | 6322.78 |
| **PROFIT AFTER TAXES** | | | **25421.51** | 17483.75 |
| Less : Income tax of earlier years | | | **291.65** | 1091.64 |
| | | | **25129.86** | 16392.11 |
| **NET PROFIT** | | | **25129.86** | 16392.11 |
| Profit brought forward | | | **21682.57** | 21741.62 |
| | | | **46812.43** | 38133.73 |
| Add: On amalgamation | | | **-** | 197.17 |
| **AMOUNT AVAILABLE FOR APPROPRIATION** | | | **46812.43** | 38330.90 |
| APPROPRIATIONS | | | | |
| Proposed dividend on equity shares | | **6658.40** | | 4438.93 |
| Tax on dividends | | **1105.88** | | 754.40 |
| Transfer to general reserve | | **10551.00** | | 10927.00 |
| Transfer to debenture redemption reserve | | **528.00** | | 528.00 |
| | | | **18843.28** | 16648.33 |
| Balance carried to balance sheet | | | **27969.15** | 21682.57 |
| Earnings per share of Rs. 10 each - Basic and diluted (Rs.) | | | **56.61** | 36.93 |
| Notes | K | | | |

The schedules referred to the above form an integral part of the profit and loss account

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

**Titan Group**

# Consolidated Cash Flow Statement for the year ended March 31, 2010

Rupees in lakhs

| | Current year | Previous year |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Net profit before tax | **32260.86** | 23806.53 |
| Adjustments for : | | |
| - Depreciation / Amortisation | **6068.89** | 4234.73 |
| - Unrealised exchange difference (net) | **(447.22)** | (40.71) |
| - Marked to Market loss | **238.53** | 89.05 |
| - Loss on sale/ disposal/ scrapping of fixed assets (net) | **325.18** | 1116.05 |
| - Profit on sale of subsidiary | **(9.12)** | - |
| - Provision for doubtful debts / advances | **66.97** | 41.00 |
| - Interest income | **(1121.24)** | (393.84) |
| - Dividend income | **-** | (0.04) |
| - Interest expense | **2540.33** | 2879.27 |
| Operating profit before working capital changes | **39923.18** | 31732.04 |
| Adjustments for : | | |
| - (Increase)/Decrease in sundry debtors | **1038.50** | (660.55) |
| - (Increase)/Decrease in inventories | **(14058.00)** | (16087.18) |
| - (Increase)/Decrease in loans and advances | **(1973.53)** | (3287.46) |
| - Increase/(Decrease) in current liabilities and provisions | **22804.45** | 10977.77 |
| Cash generated from operations | **47734.60** | 22674.62 |
| - Direct taxes paid | **(13573.31)** | (6169.84) |
| Net cash from/(used in) operating activities | **34161.29** | 16504.78 |
| **B. Cash flow from investing activities** | | |
| Additions to fixed assets(including capital work in progress and advances on capital account) | **(4449.44)** | (6891.41) |
| Proceeds from sale of fixed assets | **187.63** | 245.76 |
| Proceeds from sale of investments | **-** | 74.93 |
| Sale of subsidiary (net of cash of Rs.15.30 lakhs) | **(0.07)** | - |
| Dividends received | **-** | 0.04 |
| Interest received | **1111.18** | 765.54 |
| Net cash from/(used in) investing activities | **(3150.70)** | (5805.14) |
| **C. Cash flow from financing activities** | | |
| Proceeds from new borrowings | **1080.33** | 23982.26 |
| Repayment of borrowings | **(10181.81)** | (28525.81) |
| Dividends paid | **(4415.42)** | (3529.04) |
| Tax on dividends paid | **(754.40)** | (603.52) |
| Interest paid | **(2620.25)** | (1936.49) |
| Net cash from/(used in) financing activities | **(16891.55)** | (10612.60) |
| Net cash flows during the year (A+B+C) | **14119.04** | 87.04 |
| Cash and cash equivalents (opening balance) | **5639.54** | 5538.85 |
| Add / ( Less) :Unrealised exchange (gain) / loss | **13.83** | 27.48 |
| | **5653.37** | 5566.33 |
| Cash and cash equivalents (closing balance) | **19729.68** | 5639.54 |
| Add / ( Less) :Unrealised exchange (gain) / loss | **42.73** | 13.83 |
| | **19772.41** | 5653.37 |
| Increase / (decrease) in cash and cash equivalents | **14119.04** | 87.04 |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

**B. Ramaratnam**
Partner

Mumbai, 30 April 2010

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

For and on behalf of the Board of Directors,

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**
Directors

# Schedules forming part of consolidated balance sheet

Rupees in lakhs

| | | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| **" A " Share capital** | | | | |
| Authorised | | | | |
| 8,00,00,000 equity shares of Rs. 10 each | | | **8000.00** | 8000.00 |
| 40,00,000 redeemable cumulative preference shares of Rs. 100 each | | | **4000.00** | 4000.00 |
| | | | **12000.00** | 12000.00 |
| Issued and Subscribed | | | | |
| 4,43,89,308 (2009 : 4,43,89,308) equity shares of Rs. 10 each, fully paid up | | | **4438.93** | 4438.93 |
| | | | **4438.93** | 4438.93 |
| **" B " Reserves and surplus** | | | | |
| Capital reserve | | | | |
| As per last balance sheet | | **13.28** | | 13.23 |
| Add : On amalgamation | | **-** | | 0.05 |
| | | | **13.28** | 13.28 |
| Capital reserve on consolidation | | | | |
| As per last balance sheet | | **72.07** | | 1065.23 |
| Less : On amalgamation | | **-** | | 993.16 |
| Less : On cessation of a subsidiary | | **6.59** | | - |
| | | | **65.48** | 72.07 |
| Capital redemption reserve | | | **10.00** | 10.00 |
| Statutory reserve | | | | |
| As per last balance sheet | | **-** | | 1.06 |
| Less: On amalgamation | | **-** | | 1.06 |
| | | | **-** | - |
| Share premium account | | | | |
| As per last balance sheet | | **13888.27** | | 13357.02 |
| Add :On amalgamation | | **-** | | 531.25 |
| | | | **13888.27** | 13888.27 |
| Debenture redemption reserve | | | | |
| As per last balance sheet | | **1541.00** | | 1013.00 |
| Add : Transfer from profit and loss account | | **528.00** | | 528.00 |
| | | | **2069.00** | 1541.00 |
| Hedging Reserve { refer Note 19(a)} | | | **45.90** | - |
| General reserve | | | | |
| As per last balance sheet | | **14140.34** | | 2939.86 |
| Add: On amalgamation | | **-** | | 5884.38 |
| Less: Deficit on amalgamation | | **-** | | 5610.90 |
| Add:Transfer from profit and loss account | | **10551.00** | | 10927.00 |
| | | | **24691.34** | 14140.34 |
| Balance in profit and loss account | | | **27969.15** | 21682.57 |
| | | | **68752.42** | 51347.53 |

**Titan Group**

# Schedules forming part of consolidated balance sheet

| | As at 31-03-2010 | As at 31-03-2009 |
|---|---|---|
| **" C " Secured loans** | | |
| 6.75% non convertible debentures of Rs. 250 each, fully paid up (refer Note 8) | **5265.02** | 5265.02 |
| Term loans from banks {refer Note 9(a)} | **-** | 3332.33 |
| Foreign Currency loan {refer Note 9(b)} | **1996.44** | 2537.00 |
| Cash credit account secured by hypothecation of book debts, inventories, stores and spares both present and future | **37.65** | 523.58 |
| | **7299.11** | 11657.93 |
| **" D " Unsecured loans** | | |
| Short term loans and advances from banks | **-** | 5000.00 |
| | **-** | 5000.00 |

Rupees in lakhs

## " E " Fixed Assets

Rupees in lakhs

| | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 1-4-2009 | **Addition/ Adjustments** | **Deductions** | **Cost as at 31-3-2010** | As at 1-4-2009 | **For the year** | **Deductions/ Adjustments** | **As at 31-3-2010** | **As at 31-3-2010** | As at 31-3-2009 |
| Land - freehold | 229.29 | **-** | **1.22** | **228.07** | - | **-** | **-** | **-** | **228.07** | 229.29 |
| Land - leasehold | 156.37 | **385.59** | **-** | **541.96** | 8.66 | **0.51** | **-** | **9.17** | **532.79** | 147.71 |
| Buildings | 5808.79 | **400.32** | **121.23** | **6087.88** | 1877.45 | **157.89** | **16.13** | **2019.21** | **4068.67** | 3931.34 |
| Plant, machinery and equipment | 42306.75 | **3008.26** | **1713.60** | **43601.41** | 26302.89 | **1896.91** | **1458.07** | **26741.73** | **16859.68** | 16003.86 |
| Furniture, fixtures and equipment | 5114.06 | **1294.18** | **247.08** | **6161.16** | 2461.25 | **820.19** | **122.89** | **3158.55** | **3002.61** | 2652.81 |
| Vehicles | 642.30 | **276.45** | **126.57** | **792.18** | 251.50 | **156.91** | **99.80** | **308.61** | **483.57** | 390.80 |
| **Intangible assets** | | | | | | | | | | |
| - Trademarks | 6327.11 | **-** | **-** | **6327.11** | 1687.23 | **3036.48** | **-** | **4723.71** | **1603.40** | 4639.88 |
| TOTAL | 60584.67 | **5364.80** | **2209.70** | **63739.77** | 32588.98 | **6068.89** | **1696.89** | **36960.98** | **26778.79** | |
| Previous year | 57308.88 | 5519.67 | 2243.88 | 60584.67 | 29541.19 | 4234.73 | 1186.94 | 32588.98 | | 27995.69 |
| Advances on capital account and capital work in progress,at cost | | | | | | | | | **1232.35** | 1952.49 |
| | | | | | | | | | **28011.14** | 29948.18 |

# Schedules forming part of consolidated balance sheet

Rupees in lakhs

| | | As at 31-03-2010 | | As at 31-03-2009 |
|---|---|---|---|---|
| " F " | **Investments** | | | |
| | **Trade Investments (long term) - Unquoted** | | | |
| | 5,25,000 (2009: 5,25,000) fully paid equity shares of Rs.10 each in Innoviti Embeded Solutions Private Limited | | **100.00** | 100.00 |
| | **Non-Trade investments ( long term) - Quoted** | | | |
| | 100 ( 2009 : 100) fully paid equity shares of Rs.10 each in Timex Watches Limited | **0.01** | | 0.01 |
| | 1,000 ( 2009 : 1,000) fully paid equity shares of Rs.10 each in National Radio Electronics Company Limited | **0.10** | | 0.10 |
| | 2,025 ( 2009 : 1,800) fully paid equity shares of Rs.10 each in Tata Steel Limited | **4.62** | | 3.27 |
| | 600 ( 2009 : 600) fully paid equity shares of Rs.10 each in Tata Tea Limited | **2.34** | | 2.34 |
| | 560 ( 2009 : 560) fully paid equity shares of Rs.10 each in Tata Chemicals Limited | **1.40** | | 1.40 |
| | 300 ( 2009 : 300) fully paid equity shares of Rs.10 each in Trent Limited | **0.92** | | 0.92 |
| | 100 ( 2009 : 100) fully paid equity shares of Rs.10 each in Titan Alloys Limited | **0.02** | | 0.02 |
| | 100 ( 2009 : 100) fully paid equity shares of Rs.10 each in Titan Foods and Fashions Limited | **0.01** | | 0.01 |
| | 100 ( 2009 : 100) fully paid equity shares of Rs.10 each in Titan Biotech Limited | **0.02** | | 0.02 |
| | 100 ( 2009 : 100) fully paid equity shares of Rs.10 each in Titan Securities Limited | **0.01** | | 0.01 |
| | | **9.45** | | 8.10 |
| | Less: | | | |
| | Provision for diminution | **0.07** | | 0.07 |
| | | | **9.38** | 8.03 |
| | **Non-Trade Investments (long term) - Unquoted** | | | |
| | 1,14,663 (2009: 1,14,663) fully paid equity shares of Rs. 50 each in The Central India Spinning and Weaving Mills Limited | **-** | | - |
| | 97,624 (2009: 97,624) fully paid equity shares of Rs. 25 each in Tata Mills Limited | **-** | | - |
| | 400 (2009: 400) fully paid equity shares of Rs. 25 each in The Central India Press Limited | **-** | | - |
| | 500 (2009: 500) 5.50% Non Convertible redeemable Taxable Bonds of Rs.10,000 each in Rural Electrification Corporation Limited | **50.00** | | 50.00 |
| | | | **50.00** | 50.00 |

**Titan Group**

# Schedules forming part of consolidated balance sheet

| | | | |
|---|---|---|---|
| | Rupees in lakhs | | |
| | **As at 31-03-2010** | | As at 31-03-2009 |
| **" F " Investments (Contd.)** | | | |
| **Others - Long-term - Quoted** | | | |
| NIL ( 2009 : 1,350) fully paid 2% cumulative convertible preference shares of Rs. 100 each in Tata Steel Limited | **-** | | 1.35 |
| 25 ( 2009 : 25) fully paid secured non-convertible debentures of Rs.500 each in Trent Limited | **0.13** | | 0.13 |
| | | **0.13** | 1.48 |
| | | **159.51** | 159.51 |
| Aggregate amount of quoted investments | | **9.51** | 9.51 |
| Aggregate amount of unquoted investments | | **150.00** | 150.00 |
| Market value of quoted investments | | **24.71** | 9.87 |
| **" G " Current assets, loans and advances** | | | |
| **Inventories** | | | |
| Consumable stores | | **378.03** | 410.85 |
| Loose tools | | **392.26** | 417.05 |
| Raw materials and bought-out components | | **21564.42** | 18960.58 |
| Contract Work in progress | | **317.56** | 32.87 |
| Work in progress | | **10903.73** | 7248.37 |
| Finished goods | | **100985.85** | 93414.13 |
| | | **134541.85** | 120483.85 |
| **Sundry debtors (unsecured)** | | | |
| Over six months | | | |
| Considered good | **720.17** | | 1245.69 |
| Considered doubtful | **762.27** | | 754.28 |
| | **1482.44** | | 1999.97 |
| Others - considered good | **8753.31** | | 9358.11 |
| | **10235.75** | | 11358.08 |
| Less: Provision for doubtful debts | **762.27** | | 754.28 |
| | | **9473.48** | 10603.80 |
| **Cash and bank balances** | | | |
| Cash on hand | **323.73** | | 278.79 |
| Cheques on hand | **418.46** | | 992.60 |
| With scheduled banks - in current accounts | **4083.08** | | 2337.27 |
| - in fixed deposits | **13540.00** | | 138.67 |
| - in transit | **1357.92** | | 1830.48 |
| With non scheduled banks - in current accounts | **6.49** | | 61.73 |
| | | **19729.68** | 5639.54 |

# Schedules forming part of consolidated balance sheet

Rupees in lakhs

| | | | |
|---|---|---|---|
| | **As at 31-03-2010** | | As at 31-03-2009 |
| **" G " Current assets, loans and advances (Contd.)** | | | |
| **Loans and advances** | | | |
| **(unsecured and considered good unless otherwise stated)** | | | |
| Advances recoverable in cash or in kind or for value to be received | | | |
| Considered good | **11500.83** | | 9521.50 |
| Considered doubtful | **5179.27** | | 5618.70 |
| | **16680.10** | | 15140.20 |
| Less : Provision for doubtful loans and advances | **5179.27** | | 5618.70 |
| | **11500.83** | | 9521.50 |
| Tax payments, net of provision | **5386.89** | | 281.38 |
| Balances with customs and excise authorities | **1714.49** | | 1696.50 |
| | | **18602.21** | 11499.38 |
| | | **182347.22** | 148226.57 |
| **" H " Current liabilities and provisions** | | | |
| Current liabilities | | | |
| Sundry creditors | **72383.96** | | 69661.75 |
| Deferred income on group transactions | **449.96** | | 452.49 |
| Unclaimed dividends | **116.71** | | 93.20 |
| Advance from customers | **42627.71** | | 23932.23 |
| Interest accrued but not due on loans | **331.77** | | 418.13 |
| | | **115910.11** | 94557.80 |
| Provisions | | | |
| Proposed dividend on equity shares | **6658.40** | | 4438.93 |
| Tax on dividends | **1105.88** | | 754.40 |
| Retiring gratuities and pension | **1307.49** | | 841.76 |
| Leave Salaries | **3295.36** | | 2704.96 |
| Others {refer Note 6(a) and (b)} | **1215.92** | | 720.97 |
| | | **13583.05** | 9461.02 |
| | | **129493.16** | 104018.82 |

**Titan Group**

# Schedules forming part of consolidated profit and loss account

Rupees in lakhs

| | | | Current Year | Previous Year |
|---|---|---|---|---|
| **" I "** | **Other income** | | | |
| | Interest from staff loans, vendor advances and bank deposits - gross | | **1121.24** | 391.31 |
| | Profit on sale of subsidiary | | **9.12** | - |
| | Interest from Tax free bonds of Unit Trust of India | | **-** | 2.53 |
| | Miscellaneous income | | **142.98** | 136.84 |
| | | | **1273.34** | 530.68 |
| **" J "** | **Operating and other expenses** | | | |
| | Raw materials and components consumed | | **308402.88** | 251564.12 |
| | Loose tools, stores and spare parts consumed | | **6188.60** | 7080.76 |
| | Purchase of finished goods | | **41215.26** | 34956.83 |
| | Salaries, wages and bonus | | **24154.64** | 20701.68 |
| | Company's contribution to provident and other funds | | **1072.96** | 972.58 |
| | Welfare expenses | | **1618.71** | 1466.08 |
| | Gratuity | | **938.94** | 493.03 |
| | Other expenses | | | |
| | Power and fuel | **1772.84** | | 1639.25 |
| | Repairs to buildings | **104.83** | | 137.78 |
| | Repairs to plant and machinery | **631.02** | | 921.22 |
| | Advertising | **21114.74** | | 18136.33 |
| | Selling and distribution expenses | **4509.06** | | 4855.45 |
| | Insurance | **327.26** | | 329.72 |
| | Rent | **7323.29** | | 7712.10 |
| | Rates and taxes | **4330.93** | | 5542.61 |
| | Travel | **1317.32** | | 1672.04 |
| | Loss on sale/ disposal/ scraping of fixed assets (net) | **325.18** | | 1116.05 |
| | Bad Debts / advances written off | **498.41** | | - |
| | Provision for doubtful debts/ advances **66.97** | | | 41.00 |
| | Less : Provision for doubtful debts/advances written back **498.41** | | | - |
| | | **(431.44)** | | 41.00 |
| | Gold price hedging costs (net) | **3928.57** | | (2199.38) |
| | General expenses | **10175.62** | | 11414.85 |
| | | | **55927.63** | 51319.02 |

# Schedules forming part of consolidated profit and loss account

Rupees in lakhs

| | | | Current Year | Previous Year |
|---|---|---|---|---|
| **" J " Operating and other expenses (Contd.)** | | | | |
| Commission to Non Whole-time Directors | | | **115.00** | 80.00 |
| Decrease/ (Increase) in work in progress and finished goods | | | | |
| Closing stocks | | | | |
| Contract work in progress | **317.56** | | | 32.87 |
| Work in progress | **10903.73** | | | 7248.37 |
| Finished goods | **100985.85** | | | 93414.13 |
| | | **112207.14** | | 100695.37 |
| Opening stocks | | | | |
| Contract work in progress | **32.87** | | | 2156.24 |
| Work in progress | **7248.37** | | | 7398.15 |
| Finished goods | **93414.13** | | | 75390.32 |
| | | **100695.37** | | 84944.71 |
| | | | **(11511.77)** | (15750.66) |
| | | | **428122.85** | 352883.44 |
| Less : Expenses capitalised | | | **4.05** | 9.40 |
| | | | **428118.80** | 352874.04 |

**Titan Group**

# Schedules forming part of Consolidated Accounts

## "K" Notes to the accounts

1. Basis of Consolidation:

   The Consolidated Financial Statements comprise the financial statements of Titan Industries Limited (the Company) and its subsidiaries (Titan Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

   The list of subsidiary companies which are included in the consolidation and the parent company's holdings therein are as under:

| Name of the company | Country of incorporation | Ownership interest | |
|---|---|---|---|
| | | 31.03.2010 | 31.03.2009 |
| Titan TimeProducts Limited | India | 100% | 100% |
| Titan Properties Limited | India | 100% | 99.99% |
| Titan Mechatronics Limited | | | |
| (Ceased to be a subsidiary from March 31, 2010) | India | - | 99.86% |
| Tanishq (India) Limited | India | 100% | 99.99% |

   The financial statements of the subsidiaries included in the consolidation are drawn up to the same reporting date as that of the parent company i.e. March 31, 2010. Financial statements of all subsidiaries included in consolidation are audited.

2. Accounting policies:

   The financial statements have been prepared on an accrual basis under the historical cost convention in accordance with the accounting principles generally accepted in India and materially comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 and by the Institute of Chartered Accountants of India.

   i. Revenue recognition: Revenue from sale of goods is recognised when the goods are despatched from the factory/ stock points/ or delivered to customers as per the terms of the contract. Sale of property is accounted when title to property passes to the buyer.

      Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rate applicable.

      Dividend income is recognised when the Company's right to receive the payment is established.

   ii. Fixed Assets: Fixed assets are capitalised at acquisition cost including directly attributable cost.

      In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions have been capitalised.

   iii. Depreciation: Depreciation has been provided on the straight line method in accordance with the Companies Act, 1956, except for the following:

| | | |
|---|---|---|
| Computers | - | @ 25% instead of 16.21% |
| Vehicles | - | @ 25% instead of 9.50% |
| Furniture & Fixtures | - | @ 20% instead of 6.33% |
| Leased assets | - | depreciated over the primary lease period. |

# Schedules forming part of Consolidated Accounts

iv. Amortisation: Trade marks are amortised over a period of 120 months from the month of acquisition. The expected pattern of economic benefits from the use of trademarks is reviewed periodically and additional amortisation, if required, is provided. (refer Note 5).

v. Foreign currency transactions: Foreign exchange transactions are recorded at the exchange rates prevailing on the date of the transaction.

Foreign exchange rate fluctuations relating to monetary assets and liabilities (including those relating to integral foreign operations) are restated at year end rates or forward cover rates, as applicable. The net loss or gain arising on restatement/ settlement is adjusted to the profit and loss account.

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of Profit and Loss of the reporting period in which the exchange rates change.

vi. Derivative Accounting: The Company uses derivative financial instruments to manage risks associated with gold price fluctuations relating to certain highly probable forecasted transactions, foreign currency fluctuations relating to certain firm commitments and foreign currency and interest rate exposures relating to foreign currency loan. With effect from April 1, 2009, the Company has applied the hedge accounting principles set out in Accounting Standard 30 – Financial Instruments: Recognition and Measurement and has designated derivative financial instruments taken for gold price fluctuations as 'cash flow' hedges relating to highly probable forecasted transactions (refer Note 19). All such derivative financial instruments are supported by an underlying transaction and are not for trading or speculative purposes.

The use of derivative financial instruments is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such instruments consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in hedging reserve and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in hedging reserve is retained until the forecast transaction occurs upon which it is recognized in profit and loss account. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in hedging reserve is recognized immediately to the profit and loss account.

vii. Investments: Long term investments are valued at cost. However provision for diminution in value is made to recognise a decline, other than temporary, in the value of investments.

viii. Transfer to debenture redemption reserve is made pro-rata over the life of the debentures in terms of the requirements of the Companies Act, 1956.

ix. Inventories: Inventories are valued at lower of cost and net realisable value. The cost of various categories of inventory is determined as follows:

a) Gold is valued on First-in-first-out basis. (refer Note 4).

b) Consumable stores, loose tools, raw materials and components are valued on a moving weighted average rate.

c) Work-in-progress and manufactured goods are valued on full absorption cost method based on the average cost of production.

d) Traded goods are valued on a moving weighted average rate/ cost of purchases.

x. Product warranty expenses: Product warranty costs are determined based on past experience and provided for in the year of sale.

# Schedules forming part of Consolidated Accounts

xi. Employee Benefits:

Short term employee benefits

All short term employee benefits such as salaries, wages, bonus, special awards, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits and non-accumulating compensated absences are recognised on an undiscounted basis and charged to the profit and loss account.

Defined Contribution Plan

Company's contributions to the Superannuation Fund which is self managed Fund and Pension Fund administered by Regional Provident Fund Commissioner are debited to the profit and loss account on an accrual basis.

Contribution to Provident Fund and Pension Fund (of a subsidiary) are made at predetermined rates to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis.

Defined Benefit Plan

Contribution to the Company's Gratuity Trust, liability towards pension of retired managing director and provision towards leave salary benefit is provided on the basis of an actuarial valuation using the projected unit credit method and is debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognised in the profit and loss account.

Contribution to the Company's Provident Fund Trust is made at predetermined rates and debited to the profit and loss account on an accrual basis.

xii. Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

xiii. Segment accounting: Segments are identified based on the types of products and the internal organisation and management structure. The Group has identified business segment as its primary reporting segment with secondary information reported geographically.

The Group's primary segments consist of Watches, Jewellery and Others, where 'Others' include Eye wear, Precision Engineering, Machine Building and Clocks.

Corporate (unallocated) represents other income and expenses which relate to the enterprise as a whole and are not allocated to segments.

xiv. Impairment of assets: Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an impairment loss is recognized when the carrying amount exceeds greater of net selling price and value in use.

xv. Use of estimates: The Company uses prudent and reasonable assumptions and estimates in the preparation of its financial statements, and these are reflected in the reported amounts of income and expenses during the year, and the reported balances of assets and liabilities, and disclosures relating to contingent liabilities, as at the date of the financial statements.

xvi. Provisions and Contingencies: A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes.

Contingent Assets are neither recognised nor disclosed in the financial statements.

# Schedules forming part of Consolidated Accounts

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 1893.51 lakhs (2009: Rs. 2662.96 lakhs).

4. Consequent to the adoption of hedge accounting for gold, for a more accurate reflection of the operational performance and appropriate presentation of the financial statements, the Company has adopted First-in-First-Out (FIFO) method of valuing gold from April 1, 2009 as against weighted average method adopted up to March 31, 2009. This change has resulted in a higher profit before taxes of Rs 1341.23 lakhs during the year ended March 31, 2010.

5. During the year, the Company reviewed the expected pattern of economic benefits from the use of trademarks. Consequent to such review a further amount of Rs. 2403.97 lakhs has been amortised.

6. (a) Provision for warranty – Rs. 228.48 lakhs (2009: Rs. 239.98 lakhs).

   The Company gives warranty on all products except jewellery, undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Warranty provisions are made for expected future outflows and determined based on past experience. No reimbursements are expected. Additional provision made and utilised/reversed during the year is Rs. 228.48 lakhs (2009: Rs. 201.96 lakhs) and Rs.239.98 lakhs (2009: Rs. 192.29 lakhs) respectively.

   (b) Provision for Customer Loyalty programme - Rs. 987.44 lakhs (2009: Rs. 480.99 lakhs)

   The Company has a scheme of reward points on purchase of certain products by customers which can be redeemed at the time of future purchases. Provision is made on past experience of redemption. Additional provision made and utilised/reversed during the year is Rs. 1150.15 lakhs (2009: Rs. 296.36 lakhs) and Rs. 643.70 lakhs (2009: Rs. 245.62 lakhs) respectively

   (c) Contingent liabilities not provided for – Rs. 5361.26 lakhs (2009: Rs. 3895.99 lakhs) comprising of the following:

   Sales Tax – Rs. 307.30 lakhs (2009: Rs. 325.72 lakhs)

   (relating to applicability of rate of tax, computation of tax liability, submission of certain statutory forms)

   Customs Duty – Rs. 316.94 lakhs (2009: Rs. 447.89. lakhs)

   (relating to compliance with the terms of notification, export obligations)

   Excise Duty – Rs. 3397.79 lakhs (2009: Rs. 2779.35 lakhs)

   (relating to denial of exemption by amending the earlier notification, computation of assessable value, denial of input service credit on service tax)

   Income Tax – Rs. 1248.69 lakhs (2009: Rs. 273.34 lakhs)

   (relating to disallowance of deductions claimed and Transfer Pricing adjustments )

   Others – Rs. 90.54 lakhs (2009: Rs. 69.69 lakhs)

   (relating to miscellaneous claims)

   The above amounts have been arrived at based on the notice of demand or the Assessment Orders or notification by the relevant authorities, as the case may be, and the Company is contesting these claims with the respective authorities. Outflows, if any, arising out of these claims would depend on the outcome of the decisions of the appellate authorities and the Company's rights for future appeals before the judiciary. No reimbursements are expected.

7. The Company has received show cause notices from the Excise authorities aggregating to Rs. 6391.14 lakhs (2009: Rs. 4983.40 lakhs) without quantifying interest and penalty, towards excise duty on jewellery despatches. The Company has been legally advised that the notice is not sustainable.

8. The 6.75% debentures are redeemable at par at the end of five years from the dates of allotment on May 12, 2006 and June 09, 2006 and are secured by way of legal mortgage on the immovable properties and plant and machinery situated at Hosur.

9. The term loans from banks shown under secured loans include :

   a. Loan of Rs. Nil (2009: Rs. 3332.33 lakhs) secured by a first charge by way of hypothecation of movable assets (save and except current assets) and secured by way of an equitable mortgage of immovable properties of the Company, both present and future.

   b. Foreign currency loan of Rs. 1996.44 lakhs (2009: Rs. 2537 lakhs) secured by a first charge over the company's present and future fixed (movable and immovable) assets.

# Schedules forming part of Consolidated Accounts

10. Non-fund based facilities availed of Rs. 25969.80 lakhs (2009 : Rs. 25703.09 lakhs) from banks are secured by a first charge by way of hypothecation of current assets including book debts and inventories, both present and future.

11. The security covered under notes 8 and 9 above rank pari passu. The security covered under note 10 above rank pari passu with the security for the cash credit facility.

12. Exchange loss (net) included in the profit and loss account is Rs. 94.43 lakhs (2009: Gain Rs. 81.72 lakhs).

13. Sales includes sale of scrap Rs. 591.98 lakhs (2009: Rs. 576.17 lakhs), sale of accessories Rs. 7870.00 lakhs (2009: Rs. 7313.84 lakhs), sale of tools and components Rs. 715.83 lakhs (2009: Rs. 593.14 lakhs), sale of gold Rs. 788.09 lakhs (2009: Rs. 4929.37 lakhs), sale of precious stones Rs 2017.95 lakhs (2009: Rs. 1568.43 lakhs), income from services provided Rs. 246.83 lakhs (2009: Rs. 254.02 lakhs) and is net of turnover based commission of Rs. 9553.38 lakhs (2009: Rs. 7246.03 lakhs) and all discounts, including cash discount of Rs. 644.17 lakhs (2009: Rs. 591.14 lakhs).

14. Auditors remuneration comprises of fees for audit of statutory accounts Rs. 93.00 lakhs (2009: Rs. 73.12 lakhs), taxation matters Rs. 44.26 lakhs (2009: Rs. 33.86 lakhs), audit of consolidated accounts Rs. 7.00 lakhs (2009: Rs.7.00 lakhs), other services Rs. 22.30 lakhs (2009: Rs. 23.41 lakhs) and reimbursement of levies and expenses Rs. 5.31 lakhs (2009: Rs. 7.16 lakhs).

15. The Directors' remuneration of Rs. 318.13 lakhs (2009: Rs. 252.32 lakhs), excluding provision for encashable leave and gratuity as separate actuarial valuation is not available, comprises of payments to the Managing Director which is inclusive of contribution to provident and other funds Rs. 9.56 lakhs (2009: Rs. 8.42 lakhs), perquisites Rs. 48.17 lakhs (2009: Rs. 42.69 lakhs), commission of Rs.110.00 lakhs (2009: Rs. 90.00 lakhs) and commission to non whole-time directors of Rs.115.00 lakhs (2009: Rs. 80.00 lakhs).

16. Fixed assets include vehicles acquired on finance lease, the details of which are as under:

Rupees in Lakhs

| | | **2010** | 2009 |
|---|---|---|---|
| (a) | Cost of vehicles | **-** | 61.97 |
| (b) | Vehicles acquired during the year | **-** | - |
| (c) | Net carrying amount | **-** | 9.82 |

(d) The total of minimum lease payments and their present value outstanding at the Balance Sheet date in respect of finance leases for each of the following periods are as below:

(Previous year figures are in brackets) Rupees in Lakhs

| | Minimum Lease Payments outstanding | Present value of Minimum Lease Payments outstanding |
|---|---|---|
| Not later than one year | -<br>(3.84) | -<br>(3.14) |
| Later than one year but not later than five years | -<br>(-) | -<br>(-) |

The above relates to finance leases relating to vehicles taken on lease. There are no contingent rents payable. The lease rentals payable are fixed / variable as the case may be. The lease tenor is of 48 months. There are no escalation clauses. There are termination options / purchase options during the period of lease and in certain cases, there are renewal options at the end of the fixed non-cancellable period of the lease. In case of renewal, the lease is reviewed on a year to year basis with the same terms and conditions except with revised amount of monthly fixed rentals.

# Schedules forming part of Consolidated Accounts

17. (a) The total of future minimum lease payments under non-cancellable operating leases are as follows :

Rupees in lakhs

| | 2010 | 2009 |
|---|---|---|
| For a period not later than one year | **3886.71** | 4225.81 |
| For a period later than one year but not later than five years | **2611.68** | 5793.50 |
| For a period later than five years | **-** | 29.50 |
| Total | **6498.39** | 10048.81 |

(b) The company has taken the above operating lease for a non-cancellable period ranging from 1 year to 9 years. The leases are renewable by mutual consent.

(c) Lease rentals recognised in the statement of profit and loss account in respect of the above operating lease is Rs. 3810.33 lakhs (2009: Rs. 3902.34 lakhs)

18. Employee Benefits:

a. Defined Contribution Plans

The contributions recognized in the profit and loss account during the year are as under:

Rupees in lakhs

| | 2010 | 2009 |
|---|---|---|
| **Defined Contribution Plan** | | |
| Superannuation Fund | **229.91** | 206.81 |
| Employee Pension Fund (EPF) | **252.86** | 237.93 |
| Provident Fund (Subsidiary Company) | **18.34** | 18.39 |
| **Total** | **501.11** | 463.13 |

b. Defined Benefit Plans

(i) Funded

(a) Contributions are made to the Company's Employees Provident Fund Trust at predetermined rates in accordance with the Fund rules. The interest rate payable by the Trust to the beneficiaries is as notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate and recognizes such shortfall as an expense. There is no shortfall in the interest payable by the Trust to the beneficiaries as on the balance sheet date.

(b) The Company makes annual contributions to The Titan Industries Gratuity Fund. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

The gratuity benefit of a subsidiary is not funded.

# Schedules forming part of Consolidated Accounts

The following table sets out the status and amounts recognised in the Titan Group's financial statements as at 31 March, 2010 for Gratuity.

Defined Benefit Plan - Gratuity as per actuarial valuation as at 31 March, 2010

Rupees in lakhs

| | | | **2010** | 2009 |
|---|---|---|---|---|
| I | Net Asset / Liability recognized in the balance sheet | | | |
| | 1 | Present value of funded obligations – A | **5195.01** | 4105.62 |
| | 2 | Fair Value of Plan Assets – B | **(4191.14)** | (3569.57) |
| | 3 | (Deficit) / surplus – (A-B) | **(1003.87)** | (536.05) |
| | 4 | Net Asset / Liability | | |
| | | - Assets | **-** | - |
| | | - Liabilities | **1003.87** | 536.05 |
| II | Expense recognized in the Profit & Loss account | | | |
| | 1 | Current Service Cost | **308.39** | 246.15 |
| | 2 | Interest on Defined Benefit Obligation | **342.75** | 288.05 |
| | 3 | Expected Return on Plan Assets | **(279.00)** | (224.68) |
| | 4 | Net Actuarial Losses/ (Gains) recognized during the year | **566.80** | 183.51 |
| | 5 | Past Service Cost | **-** | - |
| | | Total Expense recognized under the head "Payments to and provisions for employees" – Refer Schedule J | **938.94** | 493.03 |
| III | Change in present value of obligation during the year ended 31 March | | | |
| | 1 | Opening Defined Benefit Obligation | **4105.62** | 3434.39 |
| | 2 | Service Cost | **308.39** | 246.15 |
| | 3 | Interest Cost | **342.75** | 288.05 |
| | 4 | Actuarial Losses/ (Gains) | **576.56** | 266.46 |
| | 5 | Benefits Paid | **(138.31)** | (129.43) |
| | 6 | Closing Defined Benefit Obligation | **5195.01** | 4105.62 |
| IV | Change in fair value of Plan assets during the year ended 31 March | | | |
| | 1 | Opening fair value of plan assets | **3569.57** | 2877.94 |
| | 2 | Expected Return | **279.00** | 224.68 |
| | 3 | Actuarial (Losses) / Gains | **9.76** | 82.95 |
| | 4 | Assets distributed on settlements | **-** | - |
| | 5 | Contributions by employer | **470.35** | 509.42 |
| | 6 | Benefits Paid | **(137.54)** | (125.42) |
| | 7 | Closing fair value of plan assets | **4191.14** | 3569.57 |
| | | Actual Return on Plan Assets | **288.78** | 307.63 |
| V | | The major categories of Plan Assets as a percentage of total Plan Assets | | |
| | 1 | Government of India Securities | **45%** | 47% |
| | 2 | Corporate bonds | **50%** | 47% |
| | 3 | Others | **5%** | 6% |
| VI | | Principal actuarial assumptions. | | |
| | | Discount Rate | **8.35% p.a** | 7.95% p.a |
| | | Expected Rate of Return on Plan Assets | **7.50% p.a** | 7.50% p.a |
| VII | | The employees are assumed to retire at the age of 58 years. | | |
| VIII | | The mortality rates considered are as per the published rates in the LIC (1994-96) mortality tables. | | |

Expected rate of return on plan assets is based on average yield on investments.

# Schedules forming part of Consolidated Accounts

(ii) Unfunded

The defined benefit obligations which are provided for but not funded are as under:

Rupees in lakhs

| | **Liability as on March 31,2010** | Liability as on March 31,2009 |
|---|---|---|
| Compensated absences / Leave salary | **3295.36** | 2704.96 |
| Pension | **303.62** | 305.71 |

The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

19. a) Hitherto the Company recognised marked to market losses arising from outstanding derivative financial instruments taken to hedge gold price fluctuations in the profit and loss account, while net gains were ignored, in accordance with the Announcement issued by the Institute of Chartered Accountants of India on Accounting for Derivatives. Consequent to change in accounting for derivative financial instruments (refer note 2(vi)), the impact on profit before tax for the year is Nil and reserves and surplus is higher by Rs. 45.90 lakhs.

Gold futures/forwards contracts outstanding as at the year end - 390 kgs, Rs. 6410.04 lakhs (2009: 2765 Kgs, Rs. 41231.49 lakhs)

This being the first year of adoption of the principles of hedge and derivative accounting, the balance at the beginning of the year in hedging reserve and the amount reversed during the year and included in the profit and loss account is Rs. Nil. The balance in the hedging reserve is Rs. 45.90 lakhs which is expected to be reclassified to the profit and loss account in the subsequent year.

b) The Company has an outstanding swap to hedge its foreign currency and interest rate exposures relating to foreign currency loan of US Dollars 4.44 million (2009: US Dollars 5 millions) equivalent to Rs. 1996.44 Lakhs (2009: Rs. 2537.00 lakhs). Marked to Market loss of Rs. 238.53 lakhs (2009:Rs. 37.05 lakhs) has been recognized in the profit and loss account.

The Company has two forward exchange contracts outstanding for US Dollars 1.8 million equivalent to Rs. 808.20 lakhs (2009: 2 forward exchange contracts; US Dollars 0.05 million; Rs. 28.34 lakhs), one forward exchange contract for Euros 0.06 million equivalent to Rs. 36.87 lakhs (2009: nil) ) to hedge foreign currency risk of firm commitment of sales and one forward exchange contract for HKD 13.6 million equivalent to Rs. 822.80 lakhs (2009: nil) and nil forward exchange contracts (2009: 1 forward exchange contract; US Dollars 5 million; Rs. 2537.00 lakhs), for purchases and borrowings respectively. Marked to Market gain relating to forward contracts credited to profit and loss account is Rs. 13.67 lakhs (2009: Rs. (-) 52.00 lakhs).

# Schedules forming part of Consolidated Accounts

c) The foreign currency exposures that are not hedged by a derivative instrument or otherwise as at March 31, 2010 are given below:

i. Amounts receivable in foreign currency as at March 31, 2010

(Previous year figures are in brackets) Amount in lakhs

| Nature of receivables | Rupees | Foreign currency |
|---|---|---|
| Export of goods | | |
| USD | 1005.23<br>(1742.44) | 22.39<br>(34.35) |
| SGD | -<br>(0.86) | -<br>(0.03) |
| GBP | 55.84<br>(53.87) | 0.82<br>(0.74) |
| HKD | 91.08<br>(125.11) | 15.44<br>(19.18) |
| EURO | 17.01<br>(103.65) | 0.28<br>(1.55) |
| Loans and advances | | |
| USD | 15.95<br>(37.25) | 0.35<br>(0.74) |
| EURO | 2.87<br>(-) | 0.05<br>(-) |
| GBP | 0.84<br>(-) | 0.01<br>(-) |
| JPY | 0.81<br>(-) | 1.68<br>(-) |

ii. Amounts payable in foreign currency as at March 31, 2010

(Previous year figures are in brackets) Amount in lakhs

| Nature of payables | Rupees | Foreign currency |
|---|---|---|
| Import of goods and services | | |
| USD | 163.37<br>(178.04) | 3.63<br>(3.50) |
| EURO | 21.84<br>(0.10) | 0.36<br>(0.01) |
| HKD | -<br>(3.41) | -<br>(0.52) |
| CHF | 135.68<br>(156.03) | 3.20<br>(3.52) |
| JPY | 69.97<br>(2.79) | 145.18<br>(5.46) |
| GBP | 1.30<br>(1.32) | 0.02<br>(0.02) |
| SEK | 6.46<br>(-) | 1.03<br>(-) |

# Schedules forming part of Consolidated Accounts

20. a) The details of deferred tax asset/(liability) are as under:

Rupees in lakhs

| | As at 31.03.2009 | Tax effect for the year | **As at 31.03.2010** |
|---|---|---|---|
| **Deferred Tax Liability** | | | |
| Fixed Assets | (3391.22) | 1029.13 | **(2362.09)** |
| **Sub Total** | (3391.22) | 1029.13 | **(2362.09)** |
| **Deferred Tax Asset** | | | |
| Provision for doubtful debts | 247.23 | 5.01 | **252.24** |
| Disallowances under section 43B | 264.35 | 161.23 | **425.58** |
| Provision for leave salary/gratuity | 869.03 | 172.61 | **1041.64** |
| Others | 130.27 | (22.74) | **107.53** |
| **Sub Total** | 1510.88 | 316.11 | **1826.99** |
| **Net Deferred Tax Liability** | (1880.34) | 1345.24 | **(535.10)** |

b) The details of deferred tax asset (net) are as under:

Rupees in lakhs

| | As at 31.03.2009 | Tax effect for the year | **As at 31.03.2010** |
|---|---|---|---|
| **Deferred Tax Liability** | - | - | - |
| **Deferred Tax Asset** | - | - | - |
| Provision for doubtful debts | 9.04 | (8.29) | **0.75** |
| Disallowances under section 43B | 0.25 | (0.15) | **0.10** |
| **Sub Total** | 9.29 | (8.44) | **0.85** |
| **Net Deferred Tax Asset** | 9.29 | (8.44) | **0.85** |

21. Related party disclosures :

Names of related parties and description of relationship:

a) Promoters : Tamilnadu Industrial Development Corporation Ltd.
Tata Sons Ltd.

b) Key Management Personnel : Mr. Bhaskar Bhat, Managing Director

# Schedules forming part of Consolidated Accounts

Transaction with related parties during the year ended are set out in the table below
(Privious year figures are in brackets)

Rupees in lakhs

| Sl. No. | Nature of transaction | Promoters | Key Management Personnel | Total |
|---|---|---|---|---|
| 1 | Sale of components and finished goods | 2.65<br>(2.87) | -<br>(-) | 2.65<br>(2.87) |
| 2 | Reimbursement of expenses | -<br>(0.41) | -<br>(-) | -<br>(0.41) |
| 3 | Interest expense | 37.34<br>(37.34) | -<br>(-) | 37.34<br>(37.34) |
| 4 | Rent paid | 49.64<br>(52.31) | -<br>(-) | 49.64<br>(52.31) |
| 5 | Rental deposit | -<br>(300.00) | -<br>(-) | -<br>(300.00) |
| 6 | Dividend paid | 1631.12<br>(1304.90) | -<br>(-) | 1631.12<br>(1304.90) |
| 7 | Commission and sitting fees to non whole-time directors | 28.74<br>(33.07) | -<br>(-) | 28.74<br>(33.07) |
| 8 | Brand equity subscription | 664.77<br>(614.23) | -<br>(-) | 664.77<br>(614.23) |
| 9 | Services rendered | 33.04<br>(33.22) | -<br>(-) | 33.04<br>(33.22) |
| 10 | Managerial remuneration | -<br>(-) | 203.13<br>(172.32) | 203.13<br>(172.32) |

The above includes the following material related party transactions:-

(Previous year figures are in brackets) Rupees in lakhs

| Nature of transaction | Category | Name | Amount |
|---|---|---|---|
| (a) Dividend paid | Promoters | Tamilnadu Industrial Development Corporation Ltd. | 1237.38<br>(989.91) |
| | | Tata Sons Ltd. | 393.74<br>(314.99) |
| (b) Rental deposit | Promoters | Tata Sons Ltd. | -<br>(300.00) |
| (c) Brand equity subscription | Promoters | Tata Sons Ltd. | 664.77<br>(614.23) |

# Schedules forming part of Consolidated Accounts

Balance as on balance sheet date

(Previous year figures are in brackets)

Rupees in lakhs

| | Promoters | Key Management Personnel | Total |
|---|---|---|---|
| **Credit balance** | | | |
| Tata Sons Limited | 327.78<br>(270.29) | -<br>(-) | 327.78<br>(270.29) |
| Tamilnadu Industrial Development Corporation Limited | 25.14<br>(28.94) | -<br>(-) | 25.14<br>(28.94) |
| Key Management Personnel | -<br>(-) | 114.32<br>(93.80) | 114.32<br>(93.80) |
| Total Credit Balance | 352.92<br>(299.23) | 114.32<br>(93.80) | 467.24<br>(393.03) |

22. Earnings per share:

The following table sets forth the computation of basic and diluted earnings:

Rupees in lakhs

| | | 2010 | 2009 |
|---|---|---|---|
| a) | Net profit | **25129.86** | 16392.11 |
| b) | Weighted average number of equity shares | **4,43,89,308** | 4,43,89,308 |
| c) i) | Nominal value of shares (Rs.) | **10.00** | 10.00 |
| ii) | Earnings per share - Basic and diluted (Rs.) | **56.61** | 36.93 |

23. The financial position and results of Titan Mechatronics Limited (subsidiary upto March 30, 2010) included in the consolidated financial statements is as under:

Rupees in lakhs

| Particulars | Amount |
|---|---|
| Profit after tax | 0.67 |
| Profit on disposal of investment in subsidiary | 9.12 |
| Total assets | - |
| Total liabilities | - |

# Schedules forming part of Consolidated Accounts

24. Segment information for the year ended March 31, 2010

a) Primary Business Segments

(Previous year figures are in brackets). Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Net sales / income<br>(There is no inter-segment revenue) | 102808<br>(90929) | 349747<br>(276023) | 15161<br>(13618) | -<br>(2694) | 467716<br>(383264) |
| **Result** | | | | | |
| Before interest, other income and taxes. | 14371<br>(13765) | 24796<br>(16143) | -3904<br>(-2422) | -1735<br>(-1331) | 33528<br>(26155) |
| Add : Other Income | 158<br>(157) | 672<br>(297) | 15<br>(11) | 428<br>(66) | 1273<br>(531) |
| Profit / (-) Loss before interest and taxes | 14529<br>(13922) | 25468<br>(16440) | -3889<br>(-2411) | -1307<br>(-1265) | 34801<br>(26686) |
| Less : Interest (net) | | | | | 2540<br>(2879) |
| Profit before taxes | | | | | 32261<br>(23807) |
| Taxes | | | | | 7131<br>(7415) |
| Net Profit | | | | | 25130<br>(16392) |

Rupees in lakhs

| | Watches | Jewellery | Others | Corporate (Unallocated) | Total |
|---|---|---|---|---|---|
| **Other Information** | | | | | |
| Segment Assets | 49187<br>(54532) | 126185<br>(109014) | 12952<br>(12504) | 22194<br>(2284) | 210518<br>(178334) |
| Segment Liabilities | 25794<br>(17960) | 89005<br>(75371) | 5150<br>(3446) | 9544<br>(7242) | 129493<br>(104019) |
| Capital expenditure | 2097<br>(2244) | 826<br>(3313) | 1722<br>(1216) | -<br>(-) | 4645<br>(6773) |
| Depreciation / Amortisation | 3718<br>(2081) | 1630<br>(1255) | 668<br>(847) | 53<br>(52) | 6069<br>(4235) |
| Non Cash expenses other than depreciation / amortisation | 129<br>(12) | -<br>(129) | 33<br>(11) | 224<br>(71) | 386<br>(223) |

# Schedules forming part of Consolidated Accounts

Total unallocable assest exclude

(Previous year figures are in brackets) Rupees in lakhs

| | Total |
|---|---|
| Deferred tax asset | 1<br>(9) |

Total unallocable liabilities exclude

(Previous year figures are in brackets) Rupees in lakhs

| | Total |
|---|---|
| Secured Loans | 7299<br>(11658) |
| Unsecured loans | -<br>(5000) |
| Deferred tax liability (Net) | 535<br>(1880) |

b) Secondary Geographical Segments

(Previous year figures are in brackets) Rupees in lakhs

| | India | USA | Other | Total |
|---|---|---|---|---|
| Revenue | 457452<br>(369927) | 2247<br>(2619) | 8017<br>(10718) | 467716<br>(383264) |

The operating facilities of the Company are commonly employed for both the domestic and export business, hence it is not possible to report segment assets and capital expenditure by geographical segments.

Details of secondary geographical segments for individual markets outside India and USA are not disclosed as the same do not account for more than 10% of the total segment revenues or results or assets.

25. a) Figures pertaining to subsidiary companies have been reclassified, where necessary, to bring them in line with the parent company's financial statements.

b) The figures of the previous year have been regrouped/recast, where necessary, to conform to the current year classification.

Signature to Schedules "A" to "K"

For and on behalf of the Board of Directors,

**Bhaskar Bhat**
Managing Director

**S. Rajarathnam**
General Manager - Finance

**A. R. Rajaram**
Head - Legal & Company Secretary

Mumbai, 30 April 2010

**Ishaat Hussain**
**C.G.Krishnadas Nair**
**Nihal Kaviratne**
**Vinita Bali**
**V Parthasarathy**
**R Poornalingam**
**Hema Ravichandar**

Directors

## Titan Group

**FINANCIAL STATISTICS**

FINANCIAL YEAR

*Rs. in crores*

| **BALANCE SHEET** | 1987-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 | 98-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | *2007-08* | *2008-09* | ***2009-10*** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share Capital - Equity | 23.95 | 23.96 | 26.84 | 26.84 | 26.84 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 42.28 | 44.39 | *44.39* | *44.39* | ***44.39*** |
| Share Capital - Preference | - | - | - | - | - | - | - | 7.50 | 10.00 | 33.00 | 37.50 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | - | - | - | - |
| Reserves and Surplus | 0.21 | 1.38 | 2.11 | 6.42 | 12.15 | 77.82 | 86.34 | 98.74 | 111.46 | 117.25 | 115.73 | 116.07 | 118.56 | 125.09 | 82.42 | 80.19 | 82.85 | 94.97 | 150.30 | 283.06 | *391.78* | *506.85* | ***679.99*** |
| Deferred tax liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 44.58 | 41.59 | 35.14 | 29.32 | 23.75 | 17.44 | *24.71* | *18.18* | ***4.75*** |
| Loans | 37.76 | 42.45 | 57.86 | 66.52 | 75.46 | 114.43 | 151.15 | 191.63 | 303.34 | 368.14 | 381.80 | 395.48 | 409.92 | 422.01 | 443.28 | 467.05 | 406.71 | 318.02 | 267.92 | 247.01 | *257.89* | *175.41* | ***72.79*** |
| **SOURCES OF FUNDS - Total** | 61.92 | 67.79 | 86.81 | 99.78 | 114.45 | 234.53 | 279.77 | 340.15 | 467.08 | 560.67 | 577.31 | 593.83 | 610.76 | 629.38 | 652.56 | 671.11 | 606.98 | 524.59 | 524.25 | 591.89 | *718.77* | *744.83* | ***801.93*** |
| Net fixed assets | 53.76 | 60.34 | 79.66 | 86.09 | 95.20 | 131.37 | 166.65 | 205.91 | 229.67 | 232.86 | 238.38 | 236.63 | 223.80 | 211.16 | 200.90 | 191.75 | 177.36 | 174.91 | 196.02 | 267.12 | *282.45* | *294.00* | ***274.92*** |
| Investments | 0.03 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 14.92 | 21.82 | 28.32 | 27.00 | 27.00 | 27.00 | 25.12 | 23.09 | 24.62 | 37.09 | 27.58 | 27.02 | 27.02 | 27.02 | *47.39* | *7.66* | ***7.63*** |
| Inventories | 8.17 | 14.94 | 29.93 | 62.65 | 71.63 | 86.39 | 101.85 | 112.07 | 152.54 | 226.19 | 172.67 | 172.19 | 183.44 | 146.23 | 124.82 | 141.92 | 164.12 | 271.62 | 374.39 | 677.48 | *1,021.09* | *1,202.69* | ***1,340.33*** |
| Debtors | 0.24 | 2.41 | 3.27 | 4.03 | 5.65 | 14.06 | 14.32 | 33.58 | 77.85 | 78.10 | 83.25 | 101.40 | 121.05 | 159.04 | 207.75 | 186.38 | 148.16 | 77.09 | 90.12 | 92.06 | *96.45* | *106.22* | ***93.61*** |
| Cash and bank balances | 3.34 | 2.38 | 0.96 | 2.22 | 1.70 | 8.50 | 12.65 | 9.63 | 13.85 | 4.58 | 7.64 | 5.04 | 17.53 | 27.51 | 17.33 | 23.99 | 26.85 | 44.01 | 38.29 | 50.73 | *51.91* | *54.69* | ***186.72*** |
| Loans and Advances | 5.16 | 2.41 | 4.51 | 10.38 | 15.95 | 30.19 | 18.61 | 18.93 | 43.89 | 68.42 | 106.47 | 121.45 | 115.48 | 150.67 | 197.40 | 217.08 | 193.69 | 172.14 | 143.96 | 65.54 | *99.17* | *114.13* | ***183.06*** |
| Total Current Assets | 16.91 | 22.14 | 38.67 | 79.28 | 94.93 | 139.14 | 147.43 | 174.21 | 288.13 | 377.29 | 370.03 | 400.08 | 437.50 | 483.45 | 547.30 | 569.37 | 532.82 | 564.86 | 646.76 | 885.81 | *1,268.62* | *1,477.73* | ***1,803.71*** |
| Less: Current Liabilites & Provisions | 8.78 | 14.75 | 31.58 | 65.65 | 75.74 | 36.04 | 49.23 | 61.79 | 79.04 | 76.48 | 58.10 | 69.88 | 79.93 | 91.52 | 126.45 | 173.27 | 164.09 | 266.60 | 359.86 | 592.26 | *879.70* | *1,034.57* | ***1,284.33*** |
| Net Current Assets | 8.13 | 7.39 | 7.09 | 13.63 | 19.19 | 103.10 | 98.20 | 112.42 | 209.09 | 300.81 | 311.93 | 330.20 | 357.57 | 391.93 | 420.86 | 396.10 | 368.73 | 298.26 | 286.91 | 293.55 | *388.93* | *443.16* | ***519.38*** |
| Deferred revenue expenditure | - | - | - | - | - | - | - | - | - | - | - | - | 4.27 | 3.20 | 6.18 | 46.17 | 33.31 | 24.40 | 14.31 | 4.21 | - | - | - |
| **APPLICATION OF FUNDS - Total** | 61.92 | 67.79 | 86.81 | 99.78 | 114.45 | 234.53 | 279.77 | 340.15 | 467.08 | 560.67 | 577.31 | 593.83 | 610.76 | 629.38 | 652.56 | 671.11 | 606.98 | 524.59 | 524.25 | 591.89 | *718.77* | *744.83* | ***801.93*** |
| **PROFIT & LOSS ACCOUNT** | 1987-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | 96-97 | 97-98 | 98-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | *2007-08* | *2008-09* | ***2009-10*** |
| Sales volumes (nos in lakhs) | | | | | | | | | | | | | | | | | | | | | | | |
| Watches | 3.44 | 5.13 | 12.52 | 18.33 | 22.42 | 25.75 | 28.07 | 32.58 | 38.75 | 39.45 | 43.53 | 51.11 | 58.54 | 66.76 | 61.77 | 60.02 | 68.38 | 73.19 | 83.36 | 89.64 | *102.86* | *96.93* | ***110.36*** |
| Jewellery | - | - | - | - | - | - | - | 0.09 | 0.20 | 0.37 | 1.20 | 1.68 | 3.00 | 7.21 | 6.05 | 13.72 | 8.70 | 4.32 | 5.70 | 7.20 | *11.39* | *13.65* | ***14.22*** |
| Clocks, sunglasses, etc. | - | - | - | - | - | - | - | - | 0.67 | 3.64 | 3.05 | 4.30 | 3.29 | 1.62 | 0.51 | 0.41 | 2.39 | 4.84 | 5.05 | 5.29 | *6.97* | *9.29* | ***15.20*** |
| Sales Income | 16.80 | 27.59 | 74.06 | 106.26 | 155.01 | 191.21 | 226.23 | 282.49 | 350.72 | 408.52 | 442.06 | 482.04 | 630.33 | 696.90 | 724.78 | 797.90 | 958.52 | 1,134.66 | 1,481.37 | 2,136.46 | *3,041.09* | *3,847.72* | ***4,703.12*** |
| Expenditure | 16.40 | 21.09 | 59.02 | 79.29 | 119.94 | 156.25 | 183.78 | 223.93 | 276.19 | 320.73 | 357.20 | 393.48 | 550.62 | 614.19 | 639.32 | 726.03 | 862.49 | 1,019.50 | 1,327.42 | 1,938.01 | *2,790.70* | *3,551.23* | ***4,308.17*** |
| Interest | 1.36 | 3.51 | 6.51 | 11.82 | 17.72 | 18.46 | 16.16 | 21.80 | 34.22 | 56.40 | 52.96 | 51.92 | 50.88 | 47.84 | 46.27 | 41.35 | 37.62 | 30.92 | 24.84 | 20.42 | *20.14* | *29.43* | ***25.42*** |
| Depreciation/Amortisation | 0.85 | 2.16 | 3.98 | 6.57 | 6.74 | 7.23 | 9.78 | 13.11 | 15.68 | 16.52 | 18.82 | 20.14 | 20.40 | 20.93 | 23.28 | 21.14 | 21.47 | 19.61 | 19.66 | 25.59 | *29.73* | *41.76* | ***60.08*** |
| Operating Profit | (1.81) | 0.83 | 4.55 | 8.58 | 10.61 | 9.27 | 16.51 | 23.65 | 24.63 | 14.87 | 13.08 | 16.50 | 8.43 | 13.94 | 15.91 | 9.38 | 36.94 | 64.63 | 109.45 | 152.44 | *200.53* | *225.30* | ***309.46*** |
| Add: Other Income | 2.11 | 0.45 | 0.56 | 0.52 | 0.49 | 1.60 | 2.58 | 1.44 | 2.94 | 12.93 | 3.16 | 2.41 | 13.01 | 11.63 | 2.24 | 10.40 | 2.09 | 2.73 | 2.43 | 3.22 | *1.77* | *5.26* | ***11.86*** |
| Less: Exceptional Item | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (10.00) | (25.00) | (35.00) | (25.00) | (24.00) | - | - | - |
| Profit Before Taxes | 0.30 | 1.28 | 5.11 | 9.10 | 11.10 | 10.87 | 19.09 | 25.09 | 27.57 | 27.80 | 16.24 | 18.91 | 21.44 | 25.57 | 18.16 | 9.78 | 14.03 | 32.36 | 86.88 | 131.65 | *202.30* | *230.56* | ***321.32*** |
| Taxes | 0.04 | 0.21 | 0.78 | - | - | - | - | - | - | 3.58 | 1.60 | 1.87 | 2.16 | 2.09 | 5.06 | 3.57 | 2.84 | 7.41 | 13.26 | 37.52 | *52.04* | *71.59* | ***70.99*** |
| **Profit After Taxes** | 0.26 | 1.07 | 4.33 | 9.10 | 11.10 | 10.87 | 19.09 | 25.09 | 27.57 | 24.22 | 14.64 | 17.04 | 19.28 | 23.48 | 13.09 | 6.21 | 11.19 | 24.95 | 73.62 | 94.13 | *150.27* | *158.96* | ***250.32*** |
| Equity Dividend (%) | - | - | 15% | 18% | 20% | 22% | 25% | 30% | 33% | 33% | 25% | 26% | 26% | 26% | 15% | 10% | 10% | 20% | 30% | 50% | *80%* | *100%* | ***150%*** |
| Equity Dividend (Rs.) | - | - | 3.60 | 4.83 | 5.37 | 6.89 | 10.57 | 12.69 | 13.95 | 13.95 | 10.57 | 10.99 | 10.99 | 10.99 | 6.34 | 4.23 | 4.23 | 8.46 | 13.32 | 22.19 | *35.51* | *44.39* | ***66.58*** |
| Employee costs (excluding VRS) | 1.03 | 1.56 | 3.98 | 6.24 | 8.19 | 12.84 | 17.89 | 22.62 | 32.20 | 48.13 | 48.91 | 54.04 | 72.17 | 74.07 | 76.32 | 71.57 | 84.98 | 95.73 | 109.13 | 157.04 | *189.16* | *233.40* | ***274.49*** |
| % to Sales Income | 6.1% | 5.7% | 5.4% | 5.9% | 5.3% | 6.7% | 7.9% | 8.0% | 9.2% | 11.8% | 11.1% | 11.2% | 11.4% | 10.6% | 10.5% | 9.0% | 8.9% | 8.4% | 7.4% | 7.4% | *6.2%* | *6.1%* | ***5.8%*** |
| Advertising | 1.85 | 2.07 | 5.61 | 8.38 | 9.52 | 13.16 | 16.06 | 20.22 | 29.62 | 36.01 | 20.04 | 27.36 | 41.69 | 40.10 | 36.55 | 47.44 | 59.82 | 76.89 | 101.31 | 133.82 | *151.55* | *181.36* | ***211.15*** |
| % to Sales Income | 11.0% | 7.5% | 7.6% | 7.9% | 6.1% | 6.9% | 7.1% | 7.2% | 8.4% | 8.8% | 4.5% | 5.7% | 6.6% | 5.8% | 5.0% | 5.9% | 6.2% | 6.8% | 6.8% | 6.3% | *5.0%* | *4.7%* | ***4.5%*** |

## NOTES

## NOTES

# TITAN INDUSTRIES LIMITED

Regd. Office: 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126

## Attendance Slip

I hereby record my presence at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company at 3, SIPCOT Industrial Complex, Hosur 635 126 at 3:00 p.m. on Tuesday, 27th July 2010.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

Note: 1. Shareholder/proxy holder wishing to attend the Meeting must bring this Attendance Slip to the Meeting and hand it over at the entrance duly signed.

2. Shareholder/Proxyholder desiring to attend the Meeting should bring his copy of the Annual Report for reference at the Meeting.

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# TITAN INDUSTRIES LIMITED

Regd. Office: 3, SIPCOT INDUSTRIAL COMPLEX, HOSUR 635 126

## Proxy

I/We ______________________________________________ of ________________ ____________ in the district of ______________________________ being a member/members of the above named Company, hereby appoint ________________________________ of ________________________ in the district of __________________ or failing him ______________________________________ of ____________ in the district of ______________________________ as my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company, to be held at 3:00 p.m. on Tuesday, 27th July 2010 and at any adjournment thereof.

Signed this ___________________________ day of ___________________ 2010.

Reference Folio

DP ID/Ben ID

No. of Shares held

Signature ______ Affix 30 paise Revenue Stamp ______

This form is to be used *in favour of / *against the resolution. Unless otherwise instructed the proxy will act as he thinks fit.

*strike out whichever is not desired.

Note: This Proxy must be returned so as to reach the Registered Office of the Company, 3, SIPCOT Industrial Complex, Hosur 635 126, not less than FORTY EIGHT HOURS before the Meeting

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**1. Hassle-free direct credit of Dividend – Make use of NECS facility for speedy credit of Dividend**

Shares held in Electronic Form

- Register your latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) with your Depository Participant.

Shares held in Physical Form

- Provide your latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) along with your folio number to our Registrars and Transfer Agents, TSR Darashaw Ltd, 6-10, Haji Moosa Patrawala Industrial Estate, 20. Dr. E. Moses Road, Mahalakshmi, Mumbai 400 011.

In case you do not provide your new account number details as mentioned above, electronic credit of Dividend to your account is liable to be rejected.

**2. Dematerialise your Physical Shares to Electronic Form**

- Eliminate all risks associated with Physical Shares.
- Ease in Portfolio Management

Procedure for Dematerialisation of Shares

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Dematerialisation Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s).